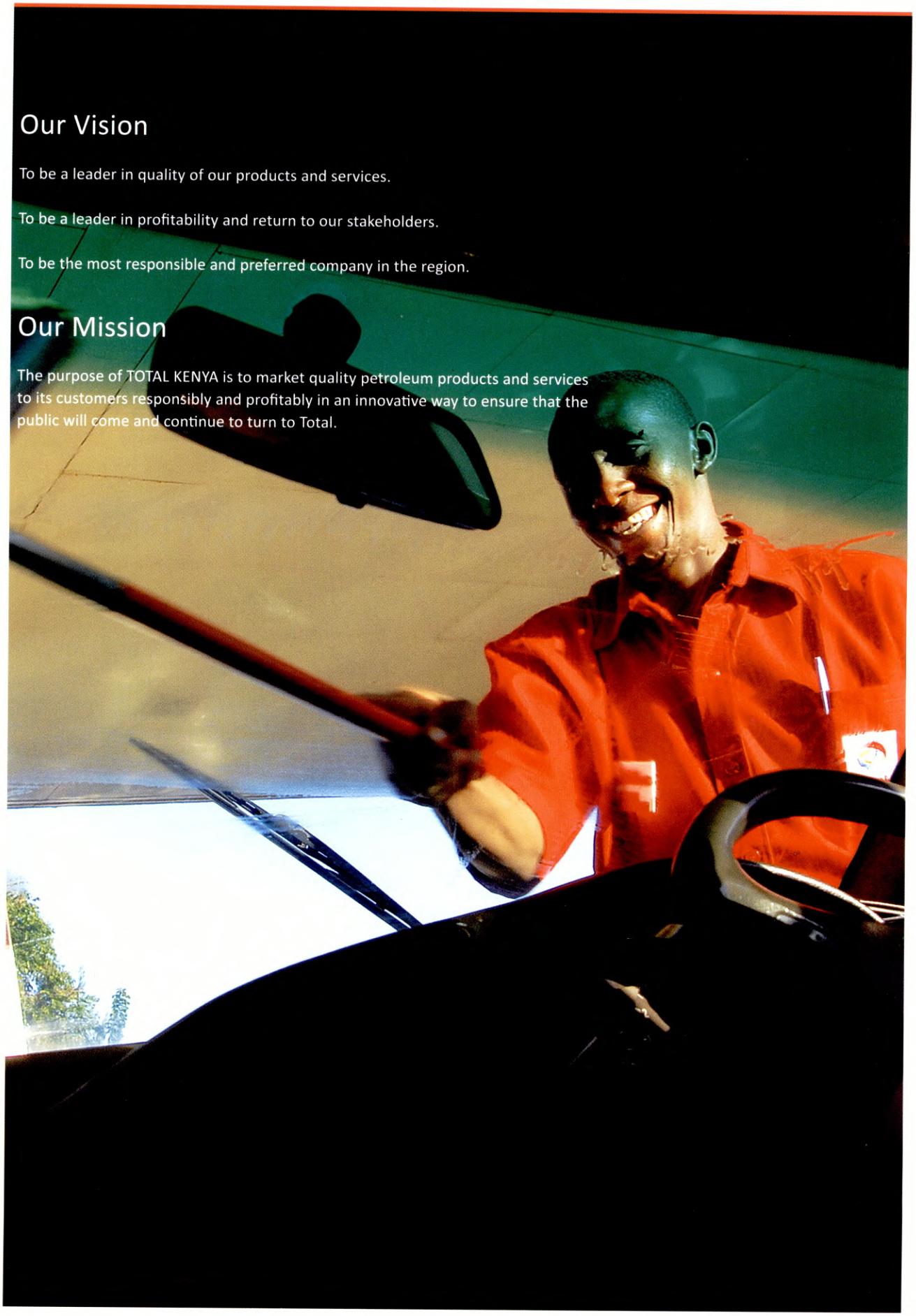
CONTENTS

Vision, Mission Statements	2
Notice of the Annual General Meeting	3
Directors & Professional Advisers	4
Report of the Directors	5
Directors' Profile	6-7
Company Profile	8-9
Corporate Governance	10-11
Social Report	12-14
Chairman's Statement	15-19
Management Executives	20-21
Management Report	22-24
Statement of the Directors' Responsibilities	25
Independent Auditors' Report	26
Financial Statements:	
Income Statement	27
Balance Sheet	28
Statement of Changes in Equity	29
Cash Flow Statement	30
Notes To The Financial Statements	31-52
Appendix 1: Five Year Summarized Consolidated Balance Sheet	53
Appendix 2: Five Year Summarized Consolidated Income statements	54
Proxy Form	55
Our Depot and Station Network	

OUR VISION, OUR MISSION STATEMENT



Our Vision

To be a leader in quality of our products and services.

To be a leader in profitability and return to our stakeholders.

To be the most responsible and preferred company in the region.

Our Mission

The purpose of TOTAL KENYA is to market quality petroleum products and services to its customers responsibly and profitably in an innovative way to ensure that the public will come and continue to turn to Total.

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 55th Annual General Meeting of the Company will be held at the KICC, Aberdares and Lenana Meeting rooms, Nairobi on Tuesday 19, May 2009 at 3.00 p.m. to transact the following business:

1. To confirm the minutes of the 54th Annual General Meeting held on 28 May 2008.

2. To receive and consider the Financial Statements for the year ended 31 December 2008 together with the Chairman's Statement and the reports of the Directors and Auditors thereon.

3. To declare a dividend of Kshs 2.50 per share in respect of the financial year ended 31 December 2008.

4. To approve the Directors' fees for the financial year ended 31 December 2008.

5. To re-elect a Director:-

   Mr M Karanja retires in accordance with Article 97 of the Company's Articles of Association and, being eligible, offers himself for re-election.

6. To re-appoint Messrs Deloitte & Touche in office as the Auditors by virtue of Section 159 (2) of the Companies Act (Cap. 486) and to authorise the Directors to fix their remuneration for the ensuing financial year.

BY ORDER OF THE BOARD

J L G MAONGA
SECRETARY

Date: 02 April 2009

Note: *A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. To be valid, a form of proxy, which is provided with this report, must be duly completed by the member and must be lodged at the Registered Office of the Company, Chai House, Koinange Street, P O Box 30736, 00100-Nairobi, or posted in time to reach not later than the close of business on 15 May 2009.*

DIRECTORS & PROFESSIONAL ADVISERS

Directors	Hervé Allibert *	Chairman
	Felix Majekodunmi**	Managing (Also alternate to Hervé Allibert as Chairman)
	Alain Champeaux*	
	Olivier Berthaud*	
	Michael Karanja	
	Franck Dessaintjean*	(Alternate to Felix Majekodunmi)
	Joseph Adewa	(Alternate to Olivier Berthaud)
	Franklin Juma	(Alternate to Alain Champeaux)
	* French	
	** Nigerian	
Secretary	J L G Maonga P.O Box 30029-00100 Nairobi Kenya	
Head Office and Registered Office	Chai House Koinange Street P O Box 30736–00100 Nairobi Kenya	
Auditors	Deloitte & Touche Certified Public Accountants (Kenya) "Kirungii", Ring Road, Westlands, P O Box 40092-00100 Nairobi Kenya	
Advocates	Njoroge Regeru and Company P.O Box 46856-00100 Nairobi Kenya	
Bankers	Citibank NA P.O Box 30711-00100 Nairobi Kenya	
Registrars	Comprite Kenya Limited P.O Box 63428-00619 Nairobi Kenya	

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 December 2008.

ACTIVITY

The principal activity of the company is the sale of petroleum products.

RESULTS	KES'000
The results for the year are as follows:	
Profit before taxation	1,031,368
Taxation	(327,474)
Profit for the year transferred to revenue reserve	703,894

DIRECTORS

The present membership of the Board is set out on page 4. Bertrand Fontanges resigned as the Managing Director on 30 September 2008 and was replaced on the same day by Felix Majekodunmi.

DIVIDEND

The directors recommend a first and final dividend of KES 2.50 (2007 KES 2.50) per share in respect of the year. The dividend is subject to withholding tax at a rate of 5% for residents and 10% for non-residents, unless specifically exempted.

AUDITORS

Deloitte & Touche, having confirmed their willingness, continue in office in accordance with Section 159(2) of the Kenyan Companies Act (Cap 486).

BY ORDER OF THE BOARD

Secretary

Nairobi

02 April 2009

DIRECTORS' PROFILE

1. Hervé Allibert

Hervé Allibert aged 51 is a graduate of the French Business School ICN (Institut Commercial de Nancy). He joined the group in 1983; worked in several positions in marketing and international development in both Network Sector and Specialities. He was the Managing Director of Elf Olie Denmark in charge of Scandinavia from 1994 to 1998. Thereafter he took the position of Marketing General Manager of Total Overseas (Africa, Middle East and Carribean) in 2002. He was appointed Executive Vice President of North East Africa in January 2007.

3. Alain Champeaux

Mr. Alain Champeaux aged 59 holds an Engineering Degree from Ecole Nationale Supérieure des Mines de Paris, France as well as a Masters of Arts in Economics from Standford University, USA. He joined the Total Group in 1976. He has worked in several positions in Planning / Budget / Investment Projects as well as in the Network Sector in Europe. He became the Senior Vice President Marketing Europe in 1995 and has been the Senior Vice President of Africa / Middle East since 2002.

2. Felix Majekodunmi

Mr. Felix Olumuyiwa Majekodunmi, 58 holds a Mechanical Engineering degree from Greenwich University in London and is a member of the Institute of Mechanical Engineers of UK (MIMechE). He is also a holder of a Certified Diploma in Accounts and Finance London (Cdip.AF)

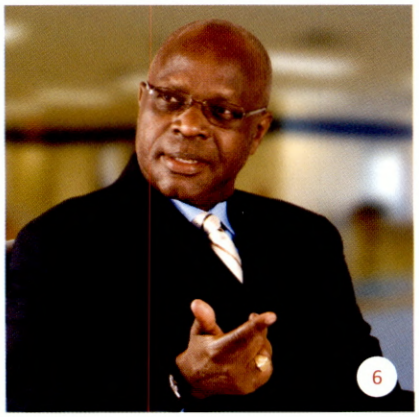
He has very extensive technical and management experience in the oil industry. He joined British Petroleum (BP) in the UK in 1970 where he worked in several positions in the operations, supply and distribution departments. In 1985 he joined the Total Group in Total Nigeria as Supply and Distribution Manager wherein he rose to become Chief Operations Officer in 1997. He then was appointed Managing Director and Chief Executive Officer of Total Tanzania for three years. In 2001 he moved to Total Ghana as Managing Director and Chief Executive Officer a post he held until September 2008 when he was appointed Managing Director of Total Kenya.

4. Michael Karanja

Mr. Michael Karanja aged 69, has a Bsc Degree from Makerere and a Diploma in Brewing from Heriot-Watt University-Edinburgh. He worked with Kenya Breweries for 36 years rising to the position of Deputy Chairman East African Breweries. He is the Chairman of Cooper Kenya Limited and Rhino Ark Trustees. He is also a Director of I&M Bank and several other companies.

5. Olivier Berthaud

Mr. Olivier Berthaud aged 32 holds a Master's degree in Strategy and Management of International Business from Ecole Supérieure des Sciences Economiques et Commerciales (ESSEC) and has an Industrial Engineer's degree from L'Institut National des Sciences Appliquées (INSA) of Lyon. After three years, he became the Economist in the Economic Department of Gas and Power. Since 2006, he joined the Financial Department of Total SA, Refining and Marketing.



6. Joseph Adewa

Mr. Joseph Adewa aged 59, a professional marketer who is currently the Deputy Managing Director, having joined the Company as a Business Development Manager in 1990. Prior to joining Total Kenya, he worked at Kenya Breweries as District Manager (Inspectorate) and Kenya Oil Company Limited as Area Sales Manager.

7. Franklin Juma

Mr. Franklin Juma aged 37 has a B A degree from Panjab University, India and LLB degree from Goa University, India. He is an Advocate of the High Court of Kenya and is a Certified Public Secretary. He is a member of the Law Society of Kenya, the Institute of Certified Public Secretaries of Kenya and the Chartered Institute of Arbitrators. He joined the company in 2000 and was appointed Legal Manager in 2004

8. Franck Dessaintjean

Mr. Franck Dessaintjean aged 39 has a MSc in Finance and Controlling from Institut Supérieur de Gestion (I.S.G). He worked in Total Cameroon as Finance and Information Technology Manager, Total France as Management Controller for Europe, Totalfinaelf Deutschland (Germany) as Management controller for Refining and Marketing. He was appointed the Finance Manager of Total Kenya Limited in July 2007.

9. J L G Maonga

Mr. Maonga aged 48 has a B A Degree from Nairobi University and is a Certified Public Secretary. He is a member of the Institute of Certified Public Secretaries of Kenya and has over 20 years experience in Company Secretarial and Registration Services. He was appointed Company Secretary on 1st February 1999.

COMPANY PROFILE

Corporate status

Total Kenya Limited is part of the global Total Group, which is the fourth largest publicly-traded integrated international oil and gas company in the world.

Total is deeply rooted in Kenya's economy and society, with long-term investments amounting to many billions of shillings in a country network of 104 stations. Kenyans have a major stake in the company. Total has been operating in Kenya for the past 54 years; it was and still is the first multinational oil company to be quoted on the Nairobi Stock Exchange; and is a key part of Kenya's essential services infrastructure. It is one of the largest revenue generators for the exchequer, and has been a consistent leader in technical innovation, service quality and community project action.

Core business

Total Kenya's core business is the distribution of petroleum fuels and lubricants and related products to industry, transport, commercial and domestic users throughout Kenya.

Mainstream products

Mainstream fuel products include automotive gasoline (petrol) and gasoil (diesel), liquid petroleum gas (LPG), dual purpose kerosene (DPK, both Illuminating kerosene and Jet A1), Aviation fuel (Avgas) and Industrial diesel and Fuel Oil. The Company also markets Bitumen, which is a residue of the crude oil refining process from which all the other products are derived.

The range of lubricants includes state-of-the-art grades of engine and transmission oils and greases for all applications in automotive and industrial machinery of all kinds.

The company also provides related products such as formulated coolants, distilled water, brake fluids and cleaning compounds.

The facilities

All Total's facilities conform to an international "Premier" standard, especially in relation to personnel, customer, environmental and user-equipment safety, through both built-in design, the integrity of equipment, and strict operational codes.

These systems are enforced by requirement, reinforced by training, and maintained by constant monitoring and special inspection.

At Total stations, for example, these standards apply to every aspect from construction of buildings to fail-safe wiring, underground seepage barriers, oil and grease traps, the integrity of equipment, the skill and discipline of personnel, supervision controls, and emergency response procedures.
Both design and operations ensure clean and spacious lay-outs, clear signage, smooth traffic flows, and efficient function. Staff are well trained and constantly up-graded.

Personnel performance

All Total staff receive regular and specialist training. Teamwork, professionalism and energy are the corporate culture. This creates a performance ethic that ensures every task and service - whether at the reception desk of an office, the docking station of a depot or under-bonnet checks on a station forecourt - is friendly, proficient and quick.

Station services

Total stations offer a wide and ever-increasing range of value added services - all delivered to the highest quality standards.

All Total stations are both an oasis of services for travelers and an integral part of their local community.

Business conduct

Total's own business is run to a high standard of integrity and professionalism in all respects, and all its investments, employment practices, safety-health-environment commitments and commercial dealings guarantee these qualities.

Total has achieved ISO Certification 9001-2000 (relating to customer-focussed quality management and constant improvement throughout its network) ISO 14001-2011 (for environmental management), and ISSSRS Level 3 (excellent) rating in Safety Achievement. Total has a non-stop programme to recertify, further upgrade and extend these systems in all its operations, to drive forward and discipline ever-higher quality assurance.

The company constantly innovates and invests - in people, equipment, and systems - to ensure it offers the best possible service to its customers in competitive value, reliable delivery, management and structural support and administrative efficiency.

Innovation

Creative thinking and action is more than just a buzzword at Total. It is an ever-present part of the Company's marketing strategy and performance delivery - a determination to make good products and services even better, to tailor both even more exactly to customer preferences, to respond to technical, market and lifestyle dynamics, and to take a competitive position and add even more value.

Kenya's LPG market was limited to 12 kg cylinders for many decades. It was Total who introduced the more portable and lower-cost 6 kg Meko for lower-budget consumers, and added a simple stove attachment, and a light attachment, and then an even smaller Baby Meko. In parallel, Total invested heavily in high-capacity storage and the most sophisticated refilling facilities - as ever backing the idea with physical capacity and real performance.

Lubrication bays are commonplace. Total upgraded theirs through Pit Stop for and even faster and more thorough service, including a 44-point diagnostic check. This has since been superseded by Auto Express with high-tech bulk oil dispensers to further cut time and costs for customers. Each of these evolutions has been accompanied by equipment upgrades and rigorous staff training.

Fuel cards have become universal currency. Total's Bon Voyage was the first to introduce SMART technology (which is programmable to enhance security and personalized flexibility) as opposed to the conventional magnetic strip.

Total did not simply buy title to the Kenya Motorshow. It was a partner in founding, designing and running the event, and a prime mover in its subsequent growth to international stature and regional pre-eminence.

The Total Eco Challenge is no off-the-peg project. Its concept and design, conceived and developed entirely by Total, are unique. Its success is unprecedented in the promotion of tree planting, and it is also a best practice model for any sustainable development project.

That is the essence of Total Kenya. Being the best and always striving to be even better.

CORPORATE GOVERNANCE

Introduction

Corporate Governance (CG) is the process by which companies are directed, controlled and held to account. CG standards are set to improve stakeholder value, by ensuring companies are responsibly structured and operated, are transparent and accountable in their conduct, and deliver accurate financial information.

Total Kenya Limited, through its Group and Company codes of conduct, complies with the highest CG standards, both nationally and internationally. CG standards and performance are regularly reviewed, to ensure the company is always up-to-date in this dynamic field, and strictly compliant.

Board of Directors

The Directors are appointed by the shareholders on a three-year term. They may stand for re-election. The current composition of the Board is given on page 6 and 7 of this report.

The Board sets the objectives and policies that drive the Company's strategic vision, ensures compliance with all statutory and regulatory requirements, and is responsible for identifying and analysing risks.

Implementation of the Board's directives is delegated through a Management Committee, which comprises all heads of department, and an Audit Committee. The management structure has a clear framework and is governed by precise organisational procedures, in which all staff are specifically trained and which have built-in checks and controls.

Audit Committee

The Audit Committee established by the Board contains at least three directors and is headed by an independent, non-executive director. In selecting the members of the Committee, the Board pays particular attention to their financial and accounting qualifications and experience. During the year members of the committee were:

Chairman - Michael Karanja
Member - Franck Dessaintjean
Member - Franklin Juma

The principal responsibilities of this Committee include reviewing financial reports, internal audit reports, management letters and other information it orders to be tabled. The Committee holds at least four formal meetings each year which are also attended by the external auditors. It may also meet with the Managing Director, perform inspections and interview managers of the company at any time deemed appropriate or necessary.

Management Committee

This Committee, comprising the Managing director and all the Heads of Departments, meets every fortnight to review

performance, discuss issues, map out on-going operational strategies, and optimise co-ordination of all the Company's business processes. It serves as a channel for communication and feedback on issues that affect the business and performance of the Company in the short to medium term.

Tender Committee

This Committee, focussed on monitoring and evaluation of procurement policies, comprises the following people:

Deputy Managing Director	-	Chairman
Finance Manager	-	Member and Alternate Chairman
Corporate Affairs Manager	-	Secretary and Member
Operations Manager	-	Member
HSEQ Manager	-	Member
HR & General Admin Manager	-	Member and Alternate Secretary
Commercial Manager	-	Member

They ensure all tenders are conducted in an open and unbiased manner, in compliance with the laid down procedures. The Committee ensures the Company's procurement process conforms to the Group's standards and is independent of any interference.

Communication with the Shareholders

The company provides timely and appropriate information to shareholders through publication of quarterly accounts and the Annual Report, and holds an annual face-to-face briefing. Shareholders are also advised of all important events that impact the Company's operation.

Relations with Employees

Key activities include regular staff communication meetings, team building processes, performance evaluation and training, career management, safety briefs and quarterly staff communication bulletin. In addition to these mechanisms, the company encourages dialogue and warm relations as part of the working culture of every employee.

Corporate Social Responsibility (CSR)

Total Kenya regards CSR as a fundamental and priority investment - in focus, time, resources and funding - in both its core business operations and in external programmes. The translation of these principles into practice is amplified in the Company Profile/Social Report section of this document.

Major external programmes embrace issues of:

Environment - through the "Total Eco Challenge" campaign, and the Rhino Ark's "Aberdare Trust".
Health - through Total's "Be Alive" programme
Education - through "the "Franco Fun" TV Quiz and other schools inputs
Culture - through the "Spotlight on Kenyan Music" and other cultural events.

Total Kenya is also an active member of leading business and sector federations, is the co-founder and title sponsor of the Total Kenya Motorshow, and has numerous other engagements in sports, social and charitable events as direct participants and/or through resource support.

It should be emphasised that the principles which these external projects champion are also universally and deeply embedded in all of Total Kenya's internal operations. External CSR benefits from some of a company's time and some of a company's money. Internal operations embrace all of a company's time, and all its human, financial and physical resources. Total Kenya does not merely drive the ideas and promote the ideals of CSR with part of itself. It lives by them, in everything it does.

SOCIAL REPORT

The principles

The phrase "Corporate Social Responsibility" is often used glibly, as a catch-all for any positive project which is not compulsory. A sponsorship. A donation. Any social activity which extends beyond a company's core business. Frequently, such action is merely a promotion...with a social spin.

Total believes CSR must be integral to the core business itself, as well as extending outside it. It is not enough to express the principles of CSR in bolt-on projects - they must be built-in to everything the company does.

Total Kenya tries to live by this self-imposed standard:

The presence of Total in Kenya, and everything Total does in Kenya, must be of real and sustainable benefit to the country and its people.

Certainly, Total Kenya is a business, not a charity; the company's shareholders have invested to achieve the maximum sustainable return. But just as certainly, there are choices of how the company's objectives are met. It is those choices which truly determine a company's CSR commitment and value.

This ethos is so all-embracing that we do not make a distinction between our company profile and our social report. They are one.

In practice

Total Kenya secures and distributes millions of litres of products per year. The company's "responsibility" extends to the specification and purity of every drop. Kenya's industrial and transport efficiency, individuals' personal property, human safety and environmental health depend on it.

Total Kenya has invested and re-invested for more than 50 years in infrastructure and equipment - bunkering, depots, bulk storage, transport systems, a national network of more than 100 stations - to ensure these products are readily available throughout Kenya, conveniently and competitively. The technical quality and operational performance of these systems (far above any statutory requirement) are the company's "responsibility".

All the people involved in all these systems are Total's responsibility - that their workplace is safe and healthy, that they have the skills and equipment to do the job expertly, that they are managed and motivated, that they have opportunity to advance, that they are treated with respect and that the company makes provision for their welfare and recognizes each one as part of a wider family and community. That applies to the 300 people directly employed by Total Kenya, and over 1000 who are part of Total Kenya's "extended family" of dealerships.

Further, as a major business and a quoted public company, Total recognizes that it has a responsibility to thousands of local shareholders, the national economy, the exchequer, the whole business sector, and as an engine of national performance and development. Here, too, the company strives for nothing less than best practice in its business conduct and professionalism, its integrity, accountability, and its long-term commitment to national best interests.

In every respect, Total Kenya aims to achieve the maximum quality and benefit that is physically possible. The difference between the lowest standard permitted and the highest standard achievable is enormous. That difference is the measure of Total's CSR - first and above all in its core business.

This commitment is strongly represented by the name of Total Kenya's in-house team spirit - "Total Attitude!"

In addition

Then, Total looks beyond its business operations and relationships - what more can it do, where can it give the most effec-

tive help - in the pillar issues of environment, health, education, culture...

These projects involve Total people as well as Total money, and are carefully chosen for their real social merit.

Environment

Total Kenya passionately believes that the most important single factor in Kenya's welfare and future prospects is a healthy environment. If Kenya can look after its forests and lakes and rivers, and therefore its climate and soil and water security, it will be better able to face any and all internal and external challenges – come what may.

In counterpoint, if it fails to create and maintain a healthy environment, its future will be imperiled – come what may.

These stark principles supersede any other topical detail of national policy or practice.

In parallel, Total Kenya believes the single greatest threat to Kenya's environment is deforestation (a critical mass of trees is crucial to stable climate, fresh air, abundant water and fertile soil). And yet, the current and foreseeable reality is that Kenya needs to use wood – in vast quantities - as a primary source of energy for cooking and heating, and as a raw material for production and construction.

In response to this dichotomy, Total Kenya has devised a unique campaign called the "Total Eco Challenge", to encourage the planting of trees...for sustainable use! Through awareness, inspiration, awards, and technical support the Total Eco Challenge has become the platform for the biggest tree-planting initiative Kenya has ever seen, so far embracing 3,000 projects directly involving 3 million people, and planting a total of 300 million trees in its first five years. The target is to keep planting at least 100 million more trees per year, every year, for ever. Total Kenya stands alongside the people of Kenya - every man, woman and child, every organization – in this commitment.

The Eco Challenge slogan of "Miti ni Mali, Miti Tosha" has been further focused in the campaign call for "One person, One event, One tree".

The Eco Challenge concept, originated in Kenya, is now spreading to other countries. Total Kenya is regularly advising, internationally, on implementation of the campaign, through multi-media public education, production and distribution of informational materials, direct technical support for projects through a full-time forester, matching corporate funding to community needs, co-ordinating supply-demand balances and sources, dedicating retail outlets as Tree Centres for information and seedling supply, support for nurseries, staging stakeholder conferences, an annual gala awards system, appointment of

SOCIAL REPORT

Tree Ambassadors, website and hotlines services, and more, all driven by essential and overarching principles of sustainable development which Total Kenya has crystallized and which are applicable to any project, worldwide.

At the same time as meeting current and future demand for wood through plantings outside forests, Total is also giving constant support to a uniquely successful project to safeguard existing forests - the Rhino Ark's "Aberdare Trust" - which is not only meeting an extraordinary physical challenge by building a 450km fence, but also setting a concept precedent which could enable harmonious co-existence of forest, farming and wildlife throughout the land. This, too, is a concept - started in Kenya - with potentially regional and global application.

Education

While the Total Eco Challenge is reflexively listed under "Environment", every aspect of its operations - awareness, inspiration, awards, technical support - is also a public education campaign, delivering to millions of Kenyans a really practical, hands-on knowledge of tree species, seed collection, nurseries design and management, improved planting techniques, tree nurture, harvesting and use.

In literally hundreds of schools throughout Kenya, teachers and pupils are running Total Eco Challenge tree planting projects as part of the curriculum! In these and all other projects, people are not only growing trees; they are growing knowledge, about the trees themselves, their context in eco balances, about resource harvesting and commercial values. Projects are not only nurturing seedlings, but also mind-sets and ideas. They are not only changing a landscape; they are giving the national culture a new dimension.

Total Kenya also delivers on its educational responsibility in more conventional ways - most notably through in-house professional training of staff, through a youth programme called Franco-Fun, and in several projects which distribute French language learning materials to schools and colleges throughout Kenya. Total also supports the Kibondeni College which gives training to disadvantaged girls in the catering industry.

Total Kenya has a Training and Development section anchored in its Human Resources Department and a well-equipped training centre. Core subjects include safety, technical, cross function and management skills.

In 2008, this system delivered a total of 1,084 on-the-job training days to nearly 300 employees, and specialist driver safety training of 200 personnel from Total's 20 transport contractors.

The effectiveness of safety training is reflected in performance. In 2008 the number of serious incidents in plant was nil. The number of road deaths was nil.

Total's training has a strong international component, with staff from other parts of the world coming to learn in Kenya, and Kenyan staff receiving overseas postings. Total Kenya runs French language courses to widen employees' career horizons.

Health

Total's "Be Alive" programme focuses on HIV/AIDS awareness and prevention among staff and their home communities, with special emphasis on ensuring that those infected receive anti retro viral support, and enjoy equal work opportunity without stigma.

The company has a comprehensive peer counseling team and a busy programme of outreach action - participating in national conferences, sharing its experience with other companies through the Kenya Business Council, making a documentary for television, and visiting support centres for both adults and children to give both emotional and material support.

The Be Alive Programme, which has been sustained for five years, continues to champion the cause of the infected and the affected.

Further, Total marked World Malaria Day in an event for staff and their families and communities, and distributed dipped nets, which are scientifically recognized but under-utilised as the most effective protection against this endemic disease.

Total Kenya has its own "Healthy Living" for all staff, with talks on lifestyle disciplines, nutrition, and common illnesses.

And more...

On the cultural front, Total has initiated the "Spotlight on Kenyan Music" programme to platform the talents of budding musicians; the Franco Fun Quiz programme in partnership with Alliance Francaise promotes the French language in an entertaining and award-giving series for schools; and Total's Mombasa network has formed a league football team.

Total is the founder sponsor and continues to lead the Total Kenya Motorshow in partnership with the Kenya Motor Industry Association. The bi-annual event has grown to be the largest exposition of its kind anywhere in middle Africa. It features some 90 motor display stands, a full schedule of action events, and attracts some 20,000 spectators. The 2009 event is already in preparation.

CHAIRMAN'S STATEMENT/ TAARIFA YA MWENYEKITI

It is my pleasure to welcome you all to the 55th Annual General Meeting of Total Kenya Limited and to present to you the Annual Report and Financial Statements for the company for the year ended December 31st 2008.

THE ENVIRONMENT OF OUR ACTIVITY

The beginning of the year was characterized by a lot of uncertainty following the disputed general elections at the end of 2007. There were skirmishes that generally disrupted business, particularly those in some key sectors we supply, like transport and tourism. There was general disruption of business in most parts of the country during the first quarter of the year, with our industry being impacted negatively due to damage to installations and infrastructure that severely affected the supply chain.

The volatile and rising international oil prices experienced in 2007 continued into 2008, with crude oil prices reaching the all time high of around US$ 147 per barrel during the second half of the year. In the local market, this translated to over Kshs. 100 per litre for premium petrol, a level of price never

Hervé Allibert
Chairman/ Mwenyekiti

Ni furaha yangu kuwaalika nyote kwa Mkutano Mkuu wa 55 wa Mwaka wa kampuni na kuwasilisha kwenu Ripoti ya Mwaka na Taarifa za Kifedha za kampuni kwa mwaka uliomalizikia Desemba 31, 2008.

MAZINGIRA YA SHUGHULI ZETU

Mwanzo wa mwaka ulikumbwa na hali ya sintofahamu kufuatia utata wa matokeo ya uchaguzi mkuu wa mwisho wa 2007. Kulikuwa na ghasia ambazo zilivuruga biashara, hasa zile zilizopo katika baadhi ya sekta kuu ambazo kwa kawaida tunasambazia bidhaa kama vile uchukuzi na utalii. Biashara kwa jumla zilivurugwa katika sehemu nyingi nchini kwenye robo ya kwanza ya mwaka, sekta yetu ikiathiriwa vibaya kwa sababu ya uharibifu wa vituo vya mafuta na muundo msingi ambao uliathiri vibaya mkondo wa usambazaji.

Kubadilika na kuongezeka kwa bei za mafuta za kimataifa ambazo zilishuhudiwa kwenye mwaka wa 2007 ziliendelea hadi mwaka wa 2008, huku bei za mafuta ghafi zikifikia karibu dola za Marekani $ 147 kwa pipa kwenye nusu ya pili ya mwaka. Katika soko la humu nchini, hii ilifikisha lita moja (1) ya petrol ya premium katika kiwango cha shilingi 100 kwa lita, kiwango cha bei ambacho hakijawahi kushuhudiwa humu nchini. Bei hizo za juu sana za bidhaa za petroli ziliongeza kiasi cha mtaji wa kufanya kazi kwa mahitaji ya kampuni na gharama za wahudumu za kifedha kuwa juu sana. Katika robo ya mwisho ya mwaka, bei za mafuta duniani zilianza kupungua kwa kiasi kikubwa, huku bei za mafuta ghafi zikiteremka hadi kiwango cha wastan cha karibu dola za Marekani 45 kwa pipa, na kuonyesha tena kuwa bei katika sekta yetu haziwezi kutabiriwa.

Muda tu bei za mafuta ulimwenguni zilipoanza kuteremka, kulikuwa na shinikizo kutoka kwa umma ili kupunguza bei za mafuta vituoni katika soko la humu nchini, bei ya wastan kwa petroli ya premium ikishuka hadi Shilingi 78 kwa lita kwenye robo ya mwisho ya mwaka. Kipindi hiki cha bei za kubadilika, kilisababisha mwito wa kurudishwa tena kwa vidhibiti vya bei katika sekta ya mafuta ya petroli ambayo iliwekwa huru mnamo mwaka wa 1994, na serikali kupitia kwa Kamati ya Kudhibiti Kawi ikiwa imetayarisha mpangilio unaohitajika kufanya hivyo.

Kama ilivyokuwa katika miaka miwili iliyotangulia, sekta yetu ilikuwa bado inakabiliwa na matatizo ya usambazaji ambao ulichangiwa pakubwa na upungufu wa nafasi za kuhifadhi na pia uwezo wa mabomba. Kuimarishwa kwa uwezo wa mabomba ambako kulianzishwa mnamo Agosti mwaka huo unaoangaziwa hakuonekani kufikia mahitaji ya sekta. Uwezo wetu wa kutimiza matarajio na mahitaji ya wateja wetu ya usambazaji kwa hivyo bado unatatizwa na upungufu huu.

Ukuaji wa GDP ambao ulianzishwa mnamo mwaka wa 2007 uliathiriwa vibaya na masuala haya na sababu nyinginezo, na kusababisha ukuaji wa taratibu wa karibu asilimia 2.5% katika mwaka wa 2008 ikilinganishwa na asilimia 6.5% kwenye mwaka wa 2007.

CHAIRMAN'S STATEMENT/ TAARIFA YA MWENYEKITI

witnessed before. These very high costs of petroleum products significantly increased the level of working capital requirement of the company with the attendant higher financial costs. In the last quarter of the year, the world oil prices began to sharply come down, with crude prices plummeting to an average of about US$ 45 per barrel, once more underlining the very unpredictable nature of prices in our industry.

Immediately the world prices of oil began to fall, there was a corresponding public pressure on the industry players to reduce pump prices in the local market, with the average price for premium petrol coming down to Kshs. 78 per litre in the last quarter. This volatile price regime led to calls for the reintroduction of price controls in the petroleum industry that was liberalized in 1994, with the government through the Energy Regulatory Commission already prepared with the necessary mechanism to do so.

As was the case in the previous two years, our industry was still experiencing supply constraints brought about by storage capacity limitations and pipeline throughput. The enhanced pipeline pumping capacity that was commissioned in August of the year under review does not appear to have met the requirements of the industry. Our ability to meet our customer supply expectations were therefore still hampered by these limitations. The GDP growth momentum that had been established in 2007 was severely affected by these and other factors, resulting in a much slower growth of about 2.5% in 2008 as compared to 6.5% for 2007.

Such was the very volatile and challenging environment in which the financial results of your company were achieved.

PERFORMANCE REVIEW AND FINANCIAL RESULTS

I must say that considering these very challenging conditions in which the results were achieved, our performance for the year was very satisfactory.

Our total sales for the year decreased by 12% to 630 KMT from the previous year's 715 KMT, attributable mainly to reduced sales in Aviation, General Trade and Exports and bulk sales channels. There was reduced consumption in some sectors like agriculture and manufacturing on account of reduced economic activity, which had a negative effect in our General Trade channel. The sales volumes were also affected by supply constraints at Kenya Petroleum Refineries which at times led to insufficient stocks, limiting our ability to meet customer demands. However, the company recorded increased sales volume in the Network Channel of 14%.

Our inland market share decreased from 21.2% in 2007 to 19.6% in the year under review. In spite of the decrease in sales volume, net turnover increased by 28% from Kshs. 34.8 billion in 2007 to Kshs. 44.6 billion in 2008, driven mainly by the increase in international oil prices.

Gross profit grew by 19% in 2008 to Kshs. 2,893 million as compared to Kshs. 2,435 million in 2007. This was mainly as a

Hayo ndio mazingira ya mabadiliko na changamoto kuu ambayo matokeo ya kifedha ya kampuni yenu yalikumbana nayo.

UCHANGANUZI WA UTENDAKAZI NA MATOKEO YA KIFEDHA

Lazima niseme kwamba kulingana na hali hizi zenye changamoto ambapo matokeo haya yalipatikana, matokeo yetu ya mwaka yalikuwa ya kuridhisha.

Jumla ya mauzo yetu kwa mwaka yalipungua kwa asilimia 12% hadi kiwango cha 630 KMT kutoka kiwango cha 715 KMT katika mwaka uliotangulia na ambayo yalisababishwa na kupungua kwa mauzo katika vyombo vya anga, biashara ya kawaida na usafirishaji nje pamoja na mikondo mikubwa ya mauzo. Kulikuwa na upungufu wa matumizi katika baadhi ya sekta kama vile kilimo na utayarishaji kufuatia kupungua kwa shughuli za kiuchumi, ambazo ziliathiri vibaya biashara zetu za kawaida. Kiasi cha mauzo pia kiliathirika pakubwa kutokana na matatizo ya usambazaji kwenye kiwanda cha Kenya Petroleum Refineries, ambapo wakati mwingine kiwanda hicho kilikumbwa na upungufu wa akiba. Hivyo basi, kupunguza uwezo wetu wa kutimiza mahitaji ya wateja.

Hata hivyo, kampuni ilirekodi nyongeza ya mauzo kwenye mitandao ya kibiashara ya asilimia 14%.

Soko letu la humu nchini lilipungua kutoka 21.2% kwenye mwaka wa 2007 hadi asilimia 19.6% katika mwaka unaofanyiwa uchanganuzi. Ijapokuwa kiasi cha mauzo kilipungua, mapato ya jumla ya kibiashara yaliongezeka kwa asilimia 28% kutoka Shilingi bilioni 34.8 mnamo mwaka wa 2007 hadi kufikia Shilingi

CHAIRMAN'S STATEMENT/ TAARIFA YA MWENYEKITI

result of increased sales volumes in the segments with better margins, particularly the Network channel.

There was good control of operating expenses which increased only by 2% as compared to 2007 in spite of the significant increase in inflation for the year, while net finance charges increased by Kshs. 182 million compared to 2007 due to a combination of increased interest on borrowing and lower impact of forex gain as compared to previous year. There was increased borrowing to finance working capital requirements brought about by the steep rise in crude and other oil prices.

Profit after tax increased from Kshs. 524 million in 2007 to Kshs. 704 million in 2008, resulting in an increase in earnings

I must say that considering these very challenging conditions in which the results were achieved, our performance for the year was very satisfactory.

bilioni 44.6 mnamo mwaka wa 2008, na ilisukumwa zaidi na nyongeza ya bei za mafuta kwenye mawanda ya kimataifa.

Faida ya jumla iliongezeka kwa asilimia 19% katika mwaka wa 2008 hadi Shilingi Milioni 2,893 ikilinganishwa na Shilingi milioni 2,435 2007. Hii ilikuwa kwa sababu ya ongezeko la mauzo katika vitengo vyenye mustakabala bora wa kifedha, hasa katika mikondo ya kibiashara.

Kulikuwa na udhibiti mzuri wa gharama za kiutendakazi ambazo ziliongezeka kwa asilimia 2% pekee ikilinganishwa na mwaka wa 2007 huku ikifahamika kwamba mfumuko uliongezeka katika mwaka huo, kadhalika matozo ya kifedha yaliongezeka kwa kiwango cha Shilingi milioni 182 ikilinganishwa na mwaka wa 2007 kwa sababu ya mchanganyiko wa riba ulioongezeka kufuatia mikopo na kukosa kupata pesa za kigeni, ikilinganishwa na mwaka uliotangulia.

Kuongezeka kwa ukopeshaji wa kufadhili mahitaji ya mtaji wa kufanyia kazi kulichangia pakubwa kuongezeka kwa kiasi kikubwa katika bei za mafuta ghafi na mafuta mengineyo.

Faida baada ya ushuru iliongezeka kutoka Shilingi milioni 524 kwenye mwaka wa 2007 hadi Shilingi milioni 704 mnamo mwaka wa 2008, na kusababisha nyongeza ya mapato kwa kila hisa kutoka Shilingi 2.99 hadi Shilingi 4.02 kwa kipindi sawa na hicho. Kama nilivyotaja awali, haya ni matokeo mazuri kwa kuambatana na hali ilivyokuwa wakati huo.

UWEKEZAJI

Total Kenya Limited imejitolea kufanya kazi kwa kipindi cha muda mrefu humu nchini Kenya na inaendelea kuwekeza kila panapotokea nafasi nzuri za kuwekeza. Kwenye mwaka huu unaozungumziwa, tulifungua kituo kipya cha mafuta kwenye barabara ya Kangundo huko Umoja, Nairobi na kuimarisha vituo vingine vilivyopo ambavyo vitatuwezesha kutimiza matakwa ya wateja wetu huku tukiimarisha nafasi yetu kama mhusika mkuu na anayeongoza kwenye soko. Tunanuia kudumisha mkondo huu katika siku za usoni.

MAENDELEO ENDELEZI

Kulingana na misingi ya Kampuni, kampuni yetu imehusika vilivyo katika miradi ya kushirikisha jamii kwenye jamii tunafanya nazo kazi. Kuhusika kwa kampuni katika uhamasishaji wa miradi ya HIV/Ukimwi na usaidizi wa kimatibabu miongoni mwa wafanyakazi na kuwepo kwa mipango ya kijamii kwenye jamii yetu, iliendelea vyema katika mwaka wa 2008. Ufaulu wakuridhisha katika kampeni yetu ya upandaji miti wa Total Eco Challenge, ambapo Wakenya kupitia makundi tofauti tofauti ya kijamii, shule, watu binafsi na mashirika yamekuwa yakipanda miti zaidi ya Milioni 100 kila mwaka kwa kipindi cha miaka mitatu iliyopita mradi huo umekuwa wa kuvutia mno. Hali hii imetupatia motisha na mshawasha na tumegundua ya kwamba shule nyingi ambazo ni pamoja na vyuo vikuu na mashirika makubwa yamejitokeza ili kushirikiana nasi katika harakati hii inayolifaa pakubwa taifa letu la Kenya.

CHAIRMAN'S STATEMENT/ TAARIFA YA MWENYEKITI

per share from Kshs. 2.99 to Kshs. 4.02 over the same period. As I mentioned earlier, this is in deed a good performance under the circumstances.

INVESTMENTS

Total Kenya Limited is committed to have a long term presence in Kenya and continues to invest as suitable opportunities are identified. During the year under review, we opened a new station on Kangundo road at Umoja in Nairobi and made other significant improvements to existing facilities and installations that will enable us better meet the demands of our customers while strengthening our position as a leading player in the market. We intend to maintain this trend into the future.

SUSTAINABLE DEVELOPMENT

In line with the Group principles, our company has significant involvement in social responsibility undertakings within the communities we operate. The company's involvement in HIV/ AIDS awareness creation and medical interventions amongst its staff and outreach programmes within the communities continued in 2008. The continued success of our tree planting campaign, the Total Eco Challenge, in which Kenyans through various community groups, schools, individuals and corporates have been planting over 100 million trees each year for the last three successive years has been very inspiring. We are very encouraged that very many institutions, including public universities and major corporates have strongly come on board as partners in this worthy cause for the country. With this level of commitment, it is possible to bring positive change in our environment.

OUT LOOK FOR 2009

There can never be any doubt that 2009 promises to be a tough year full of challenges for businesses. The effects of the word economic crisis are certainly going to affect the economy of the country, with tourist arrivals and remittances to the country from overseas already on the decline. Other local factors, including the effects of the drought with the resulting food shortages in most parts of the country are also putting a strain on the economy and fuelling inflation.

Tukijitolea kwa kiwango hiki, itakuwa rahisi kuleta mabadiliko mazuri katika mazingira yetu.

MTAZAMO WA 2009

Bila shaka 2009 unaonekana kuwa mwaka mgumu na utakaokuwa na changamoto nyingi za kibiashara. Athari za kudorora kwa uchumi bila shaka zitaathiri pakubwa uchumi wa nchi, hasa ikizingatiwa kwamba watalii wanaokuja humu nchini na pesa zinazotumwa kutoka huko ughaibuni au ng'ambo zitapungua kwa kiasi fulani. Masuala mengine ya humu nchini ambayo ni pamoja na athari za ukame pia yanazochangia upungufu wa chakula katika sehemu nyingi humu nchini kutatiza mfumo wa kiuchumi na kuchangia mfumuko wa bei za bidhaa.

Katika sekta ya mafuta, kubadilika kwa bei za mafuta za kimataifa ni jambo lililopo na tayari kumekuwa na ishara ya bei kuongezeka baada ya bei hizo kupungua kwa kiasi kikubwa mwisho wa mwaka wa 2008.

Matatizo ya usambazaji katika sekta hiyo kwa sababu ya upungufu wa uzalishaji wa kiviwanda humu nchini pamoja na matatizo ya nafasi za kuhifadhi na kupampu mafuta tayari yameathiri pakubwa mauzo kwenye sehemu ya mwanzo ya mwaka ambapo upungufu wa bidhaa hasa mafuta aina ya Super umekuwa jambo la kawaida. Mkunsanyiko wa athari hizi unachangia kuongezeka kwa gharama ambazo hatuwezi kupitisha katika nyongeza ya bei kwa sababu ya ushindani mkali uliopo kwenye sekta yetu na vita vya bei katika soko la Kenya. Hali hizi tayari zimeathiri vibaya matokeo yetu ya robo ya kwanza ya mwaka na zitabaki kuwa miongoni mwa changamoto nyingi ambazo zitatukabiliwa wakati tunapoendelea mbele katika utendakazi wetu kwenye mwaka wa 2009.

Tukiendelea kukabiliwa na hali hizi ngumu, nasi tutajitahidi ili kudumu kuangazia azma ya kampuni ya utoaji bidhaa bora na huduma muafaka kwa wateja wetu kama mbinu ya wajibikaji, ili kupata manufaa na ufanisi na hali kadhalika kufuata kwa makini viwango vyetu vya juu vya usalama kwenye utendakazi.

CHAIRMANS STATEMENT/ TAARIFA YA MWENYEKITI

In the oil industry, the volatility of international oil prices is always present, and there have already been recent signs of price increases after the sharp fall at the end of 2008.

The supply constraints of the industry due to inadequate production at the local refinery together with some storage and pumping capacity inadequacies have already affected sales in the early part of the year where product shortages, especially of Super, have been common. The combined effects of these constraints translate into increased costs which we are unable to pass on in price increases due to the stiff competition and price wars in the Kenyan market. These conditions have already negatively impacted on our first quarter performance and are expected to remain among the many challenges to be faced going forward in 2009.

In the face of these tough conditions, we shall continue to focus on the company's mission of delivering quality products and services to our customers profitably and responsibly, and in strict compliance to the highest safety standards.

DIVIDENDS

Having regard for the performance for the year and the prospects of the year ahead, I am proposing a dividend of 2.50 Kenya shillings per share for consideration and approval by the members.

THANKS AND ACKNOWLEDGEMENTS

May I take this opportunity to acknowledge the support and commitment the company receives from all its business partners, including dealers, suppliers, transporters and other stakeholders. We greatly value this support and they should be assured that we do not take it for granted.

On behalf of the board, I wish to thank the management and staff of this great company for their dedication to duty that continues to assure us of good results.

Hervé Allibert
Chairman

MGAWO

Baada ya kuyafahamu matokeo ya mwaka na matarajio ya mwaka ulio mbele yetu, napendekeza mgawo wa Shilingi 2.50 kwa kila hisa ufikiriwe na kuidhinishwa na wanachama.

SHUKRANI

Ningependa kuchukua nafasi hii kutambua usaidizi na kujitolea ambako kampuni hupokea kutoka kwa washirika wake wote wa biashara, ambao ni pamoja na wafanyabiashara, wasambazaji, wachukuzi na washikadau wengine. Tunathamini sana mchango huu na wanafaa kuhakikishiwa kwamba hatuoni masuala hayo kuwa yenye mzaha.

Kwa niaba ya halmashauri, ningependa kuwashukuru wasimamizi na wafanyakazi wa kampuni hii bora kwa kujitolea kwao kazini ambako kumeendelea kutuhakikishia matokeo mazuri.

Hervé Allibert
Mwenyekiti

MANAGEMENT EXECUTIVES

Standing from left to right
James Kamau*(Health,Safety, Environment and Quality Manager)*, **Simon Oonge** *(Audit Manager)*, **Maurice K'Anjejo** *(Corporate Affairs Manager)*, **Franck Dessaintjean** *(Finance Manager)*, **Chris Kasima** *(Strategy & Export Manager)*, **Tom Maganga** *(Planning & Supply Manager)*

MANAGEMENT EXECUTIVES

Seated from left to right:
Joseph Adewa *(Deputy Managing Director)* **Felix Majekodunmi, (***Managing Director)* **Adele Tura** *(Human Resources and General Administration Manager),* **Parther Majumder** *(Operations Manager),* **Gilles du Réau** *(Commercial Manager)*

MANAGEMENT REPORT

The oil industry in general faced a very challenging operating environment in 2008 mainly due to effects of post election chaos at the beginning of the year and very volatile International petroleum prices. The usual challenges experienced in the previous years of insufficient capacity of the pipeline and inequitable ullage allocation also persisted in the year under review. As a result, intermittent stock outs were recorded in various regions and margins especially on white products remained depressed as it is not possible to pass on the global increase in crude prices and other costs to the final consumer.

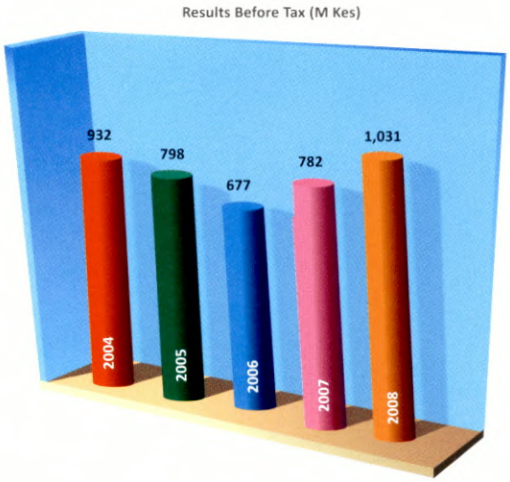
In spite of the difficult environment, Kenyan Inland Petroleum consumption grew by 4% in the year 2008 showing resilience against the high prices and the political crisis experienced early in the year. The growth is attributed to increased consumption in the energy, construction and manufacturing sectors.

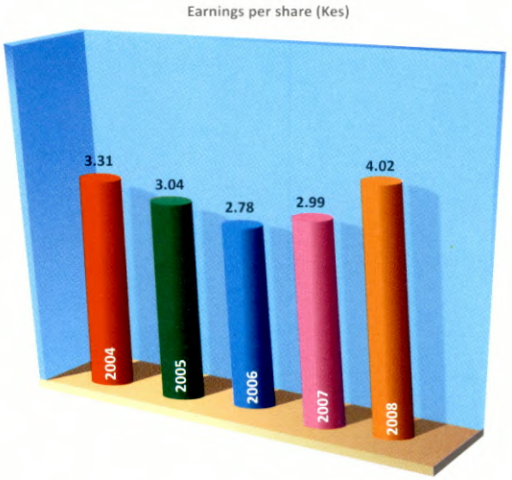
SUMMARY OF RESULTS

The company has achieved an impressive performance in spite of the very challenging market environment. Some of the performance indicators that rank favourably compared to previous years include, profitability, earnings per share, dividend yield and return on capital employed.

This good performance is attributed to the Company's focus on the most profitable segment notably network, LPG and Lubricants.

Total Kenya global sales volume decreased by 12% in 2008 (from 714.5KMT in 2007 to 629.9KMT). This decline is mainly due to reduced Aviation and exports & competitor sales by 42% and 72% respectively. However network recorded an increase of 14%. Despite the reduction in sales volume, there was an increase in net turnover by 28% from Kshs.34.8 billion in 2007 to Kshs.44.6 billion due to increased prices by 29% as a result of the increase in international oil prices.





Gross profit went up by 19% from Kshs.2, 435 million in 2007 to Kshs.2, 893 million as a result of increase in sales volume in profitable segments.

Operating expenses were fairly controlled and increased slightly by 2% compared to 2007 despite high inflation recorded in the year under review.

Net Finance charges increased by Kshs 182 million compared to 2007. This increase is attributed to the increase in interest on borrowings by Kshs 93 million on account of the increase in international oil prices and the increase in average interest rates on bank borrowings from 7.6% in 2007 to 9.7% in 2008. On the other hand, foreign exchange gains amount to Kshs 3 million in 2008 compared to Kshs 108 million in 2007.

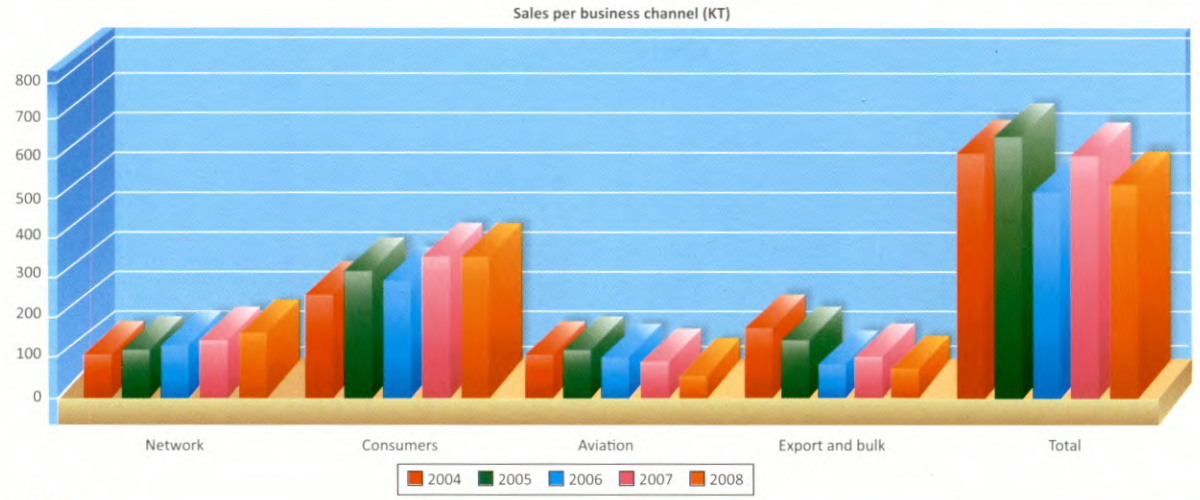
Profit before tax increased by 32% from Kshs.782 million in 2007 to Kshs.1, 031 million in 2008, while profit after tax increased by 34% from Kshs.524 million to Kshs. 704 million in 2008. As a result, earnings per share went up from Kshs.2.99 in 2007 to Kshs.4.02 in 2008.

Investments during the year amounted to Kshs.336 million. This mainly relates to supply of equipment and construction works at network stations, consumer sites and depots.

ANALYSIS BY BUSINESS CHANNELS

The company's four business channels are:

- The Network channel, which includes the distribution of petroleum products through 104 service stations located across the country;
- The General Trade channel, which includes sales of a broad range of products to all sizes of industrial consumers;
- The Aviation channel, which comprises of sales of turbine kerosene and aviation gasoline to local and international air carriers;
- The Exports and Bulk channel, which comprises of sales of our full range of products to neighbouring countries and other industry players.



NETWORK

The network market environment was still very competitive. Inspite of the challenging conditions and the political instability experienced in the first quarter of the year, sales in this channel registered a growth of 14% from 129 KMT in 2007 to 147 KMT in 2008 whereas the market of this channel increased by 8%. As a result of the increase in sales and the rise in international prices, net turnover went up from Kshs 8.5 billion in 2007 to Kshs 12.8 billion in 2008. Profitability of this channel remained at an acceptable level, with the company continuing to strategically rely on its nationwide presence and reputation for quality service.

One new station was opened in Nairobi and one closed in Rift Valley following post election violence. The objective is to invest in areas where population and traffic are growing. The company also renewed the network team which shares the values of dynamism, pro-activity and self motivation to increase the quality of service provided to our customers. The range of our services has continued to record impressive growth mainly driven by the bon voyage card and other innovations at the service stations. The focus is to remain competitive as we strive to fully meet the expectations of our customers.

Network –Key figures	2008	2007	%
Number of service stations	104	104	-
Volumes Sold	147	129	14%
Turnover- net of taxes (Kshs'million)	12,772	8,464	51%

GENERAL TRADE

The General Trade market was fairly stable in 2008. Volumes sold decreased by 3% compared to 2007 (389KMT in 2008 compared to 400 KMT in 2007) mainly attributed to the decrease in sales volume of Black products by 18% as a result of product unavailability at the refinery. For LPG, volumes sold declined slightly to 17 KT (2007 17.4 KT) mainly due product shortages at the refinery. However, there is still potential for growth in this segment and we hope that investments in logistics facilities and the ongoing reforms aimed at encouraging gas consumption in Kenya will yield positive results.

Turnover in this channel increased by 39% from Kshs.19.3 billion in 2007 to Kshs 26.7 billion in 2008.The financial contribution of this channel to the company's income remained at a satisfactory level.

Consumer–Key figures	2008	2007	%
Volumes Sold (excl. LPG) – KMT	389	400	-3%
Turnover- net of taxes (Kshs'million)	26,716	19,267	39%

AVIATION

Sales volumes in this channel recorded a drop of 42 % (from 78KMT in 2007 to 45.5KMT in 2008.) mainly due to stiff competition, reduced tourism activities as a result of post election violence and extremely depressed margins. The objective remains to concentrate on profitable business.

The decrease in volumes sold led to a decrease in turnover, from Kshs 4 billion in 2007 to Kshs 3.4 billion in 2008.

Aviation–Key figures	2008	2007	%
Volumes Sold (KMT)	45.5	78.5	-42%
Turnover- net of taxes	3,408	3,958	-14%

EXPORTS AND BULK

Exports business continues to be adversely affected by the tax regulations introduced in August 2005 with most companies in the Eastern Africa region, which would ordinarily buy oil products from Kenyan companies, preferring to buy directly from offshore suppliers and transit through Kenya. Bulk sales to competitors are unpredictable and are subject to winning oil industry importation tenders. Export sales declined by 44% from 27 KMT in 2007 to 15.4KMT in 2008 and Bulk sales declined by 86% from 54.8KMT in 2007 to 7.8 KMT in 2008.Consequently, turnover generated by these activities decreased by 46% from Kshs.3,069 million to Kshs. 1,665 million.

FINANCIAL POSITION

In 2008, as was the case in the previous year, Total Kenya continued with the aggressive financial management strategy, with focus on controlling working capital elements, and sourcing for the lowest possible financing options. The Kenya shilling was very volatile against the major world currencies and depreciated by around 20% by the end of the year to the US dollar. In 2008, international oil prices increased significantly resulting in increase in working capital requirements hence the increase in borrowings. Cash flow generated from operating activities was Kshs (453) million compared to Kshs 2,740 million in 2007 while Cash flow used in investing activities was Kshs 297 million as compared to Kshs 215 million in 2007.

MANAGEMENT REPORT

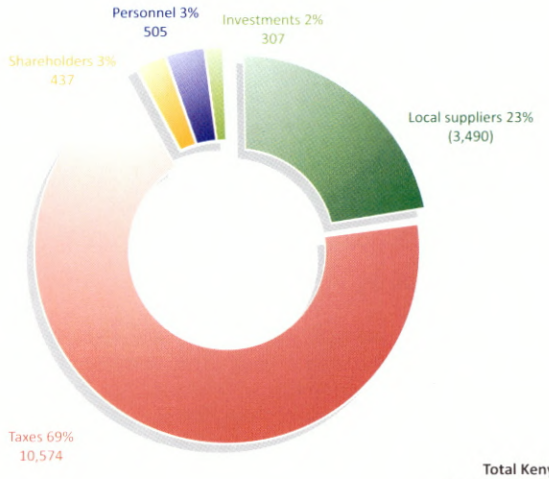
Cash used in financing activities amounted to Kshs 799 million up from Kshs 719 million for 2007 mainly due to increase in interest expense. The overall impact was a decrease in cash and cash equivalents as at 31 December of Kshs 1,550.

Our net-debt- to- equity-ratio was 70% up from 41% in 2007 while equity-to-total-liability- ratio was 35% down from 38% in 2007. The company's balance sheet remained strong with net current assets at Kshs 2.2 billion as at 31 December 2008 compared to Kshs 2.0 billion in 2007. The company will continue to focus on optimization of working capital requirement elements so as to ensure an even stronger financial position for the periods ahead.

CONTRIBUTION TO THE KENYAN ECONOMY

Total Kenya has remained a key player in the Kenyan oil industry and the economy as a whole. During the year under review, the company continued to make a significant contribution to the Kenyan economy as it carried on with its business and social corporate responsibility activities. Total Kenya remained at the top on the list of the biggest tax payers in the country, having paid direct and indirect taxes of over Kshs 10.6 billion (Kshs 9.6 billion in 2007). The total financial impact on the economy in 2008 was Kshs 15.3billion (2007 Kshs 14.7 billion) comprising the following:

Contribution to the Kenyan economy 2008 (M Kes)



2009 Management Agenda:

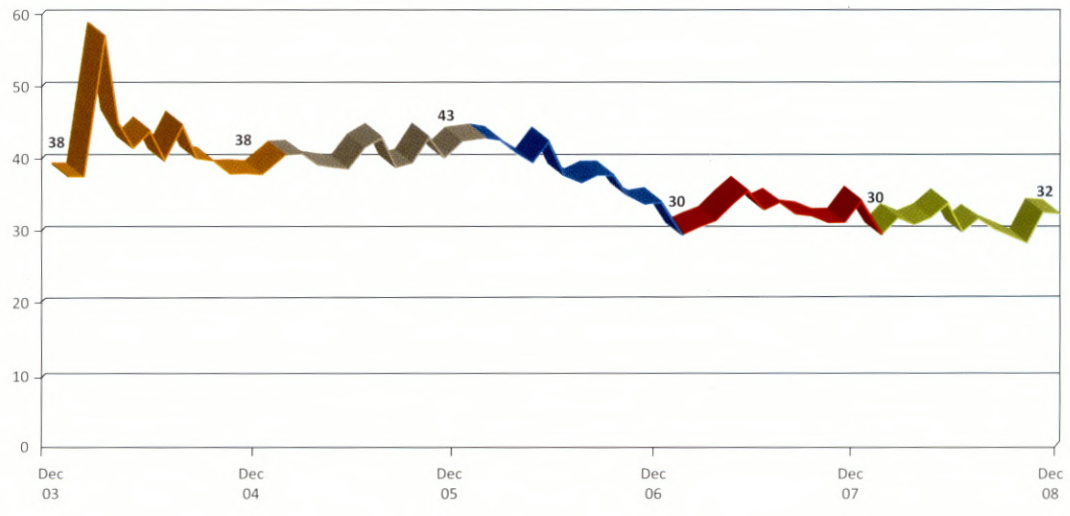
Total Kenya still believes in good growth potential which presents opportunities for improvement on every aspect of our business. In 2009 we will continue on our journey of delivering quality products and services profitably and be responsive to the community. Therefore the management will:

- Focus on achieving the company's mission of delivering quality products and services to our customers responsibly and profitably in an innovative way.
- Adhere to safety standards in the provision of services to the customer.
- Continue to harness the opportunities in the market and enhance profitable growth.
- Maintain good control over costs despite rise in inflation.
- Continue to attract, develop and retain best talent.
- Continuously improve the way we work, enhance our infrastructure and processes to provide excellent and satisfying services to our customers.
- Reinforce the brand through expansion, physical image, external recognition and community commitment.

SHARE PRICE EVOLUTION

In 2008, Total Kenya share price traded between Kshs 28 and Kshs 32 per share. The shares continued to register one of the highest dividend yields at the Nairobi Stock Exchange. The dividend yield at the close of the year was 7.4% (2007 7.4%)

Total Kenya Share Price (Kshs)
Monthly closing rates (Dec 03 to DFec 08)



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the company for that year. It also requires the directors to ensure that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

Felix Majekodunmi

Director

Michael Karanja

Director

02 April 2009

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TOTAL KENYA LIMITED

Deloitte.

Deloitte & Touche
Certified Public Accountants (Kenya)
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+(254 - 20) 444 8966
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E-mail: admin@deloitte.co.ke

Report on the Financial Statements

We have audited the accompanying financial statements of Total Kenya Limited, set out on pages 27 to 52 which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of financial affairs of the company as at 31 December 2008 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Report on Other Legal Requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and
iii) the company's balance sheet and income statement are in agreement with the books of account.

Deloitte & Touche

Certified Public Accountants (Kenya)

02 April 2009

Nairobi

Partners: D.M. Ndonye F.O. Aloo H. Gadhoke* D.C. Hodges* J.M. Kiarie M.M. Kisuu J. Nyang'aya S.O. Onyango J.W. Wangai
*British

Member of Deloitte & Touche Tohmatsu

INCOME STATEMENT

For the year ended December 31,	2008 Kshs'000		2007 Kshs'000
Gross sales	54,807,521		44,109,728
Indirect taxes and duties	(10,246,596)		(9,351,985)
Net sales (Note 3)	**44,560,925**		**34,757,743**
Cost of sales (Note 4)	(41,667,514)		(32,322,298)
Gross profit	**2,893,411**		**2,435,445**
Other income (Note 5)	76,180		75,055
Depreciation (Note 12)	(271,593)		(274,425)
Amortisation of prepaid operating leases (Note 13)	(6,059)		(6,107)
Amortisation of intangible assets (Note 14)	(28,167)		(26,248)
Other operating expenses (Note 6)	(1,271,094)		(1,243,279)
Net finance charges (Note 7(a))	(364,841)		(286,372)
Net gain on foreign exchange (Note 7(b))	3,531		107,866
Profit before taxation	**1,031,368**		**781,935**
Taxation (Note 9)	(327,474)		(257,745)
Profit for the year	**703,894**		**524,190**
Earnings per share (basic and diluted) (Note 10)	KES 4.02		KES 2.99
Dividends per share (Note 11)	KES 2.50		KES 2.50

BALANCE SHEET

As at December 31,	2008 Kshs'000		2007 Kshs'000
ASSETS			
Non-current assets			
Property, plant and equipment (Note 12)	2,023,560		1,992,896
Prepaid operating leases (Note 13)	297,871		308,741
Intangible assets (Note 14)	26,218		53,302
Goodwill (Note 15)	336,604		336,604
Deferred tax asset (Note 16)	78,950		46,086
Total non-current assets	**2,763,203**		**2,737,629**
Current assets			
Inventories (Note 17)	4,051,552		3,438,874
Trade and other receivables (Note 18)	5,523,718		5,017,520
Due from related companies (Note 19(i))	639,428		472,596
Taxation recoverable (Note 9 (iii)	-		12,397
Bank and cash balances (Note 24(ii))	1,548,883		833,737
Total current assets	**11,763,581**		**9,775,124**
TOTAL ASSETS	**14,526,784**		**12,512,753**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital (Note 21(ii))	875,324		875,324
Share premium (Note 20)	1,967,520		1,967,520
Revenue reserve	2,174,978		1,908,747
Shareholders' equity	**5,017,822**		**4,751,591**
Current liabilities			
Trade and other payables (Note 22)	3,433,391		4,764,986
Due to holding company (Note 25(ii))	827,881		59,705
Due to related companies (Note 19(ii))	77,928		147,777
Unpaid dividends (Note 11)	15,392		12,162
Short term bank borrowings (Note 23)	5,041,553		2,776,532
Tax payable (Note 9 (iii)	112,817		-
Total current liabilities	9,508,962		7,761,162
TOTAL EQUITY AND LIABILITIES	14,526,784		12,512,753

The financial statements on pages 27 to 52 were approved by the board of directors on 02 April 2009 and were signed on its behalf by:

Felix Majekodunmi

Director

Michael Karanja

Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

	Share capital Kshs'000	Share premium Kshs'000	Revenue reserve Kshs'000	Total equity Kshs'000
As of 1 January 2007	**875,324**	**1,967,520**	**1,822,220**	**4,665,064**
Dividends declared – 2006 (note 11)	-	-	(437,663)	(437,663)
Profit for the year	-	-	524,190	524,190
As of 31 December 2007	**875,324**	**1,967,520**	**1,908,747**	**4,751,591**
Dividends declared – 2007 (note 11)	-	-	(437,663)	(437,663)
Profit for the year	-	-	703,894	703,894
As of 31 December 2008	**875,324**	**1,967,520**	**2,174,978**	**5,017,822**

CASH FLOW STATEMENT

For the year ended December 31,	2008 Kshs'000		2007 Kshs'000
OPERATING ACTIVITIES			
Cash (used in)/generated from operations (Note 24 (i))	(218,324)		2,937,272
Taxation paid (Note 9(iii))	(235,124)		(197,251)
Net cash (used in)/from operating activities	**(453,448)**		**2,740,021**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment (Note 12)	(305,468)		(247,522)
Purchase of leasehold land (Note 13)	-		(777)
Purchase of intangible assets (Note 14)	(1,083)		(7,355)
Proceeds on disposal of property, plant and equipment	2,398		14,968
Proceeds on disposal of prepaid operating lease	7,000		26,100
Net cash used in investing activities	**(297,153)**		**(214,586)**
FINANCING ACTIVITIES			
Interest paid (Note 7)	(380,306)		(287,102)
Interest received (Note 5)	15,465		730
Dividends paid (Note 11)	(434,433)		(432,247)
Net cash used in financing activities	**(799,274)**		**(718,619)**
Net (decrease)/increase in cash and cash equivalents	**(1,549,875)**		**1,806,816**
Cash and cash equivalents as at 1 January	**(1,942,795)**		**(3,749,611)**
Cash and cash equivalents as at 31 December (Note 24 (ii))	**(3,492,670)**		**(1,942,795)**

1. ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC)

Standards and interpretations effective in the current period

The following new interpretations issued by the International Financial Reporting Interpretations Committee and revised standard are effective for the current period:

- IFRIC 12, Service Concession Arrangements (effective 1 January 2008);
- IFRIC 13, Customer Loyalty Programmes (effective 1 July 2008);
- IFRIC 14, IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective 1 January 2008);
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008).
- IAS 39, Financial Instruments: Recognition and Measurement: Reclassification of financial assets (effective for accounting periods beginning on or after 1 November 2008)

Adoption of these interpretations has not led to any changes in the company's accounting policies.

New and revised standards and interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the following revised standards and interpretations were in issue but not yet effective.

- IFRIC 15, Agreements for the construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009)
- IFRIC 17, Distributions of Non-cash Assets to Owners (effective for accounting periods on or after 1 January 2009)
- IFRIC 18, Transfers of Asses from Customers (effective for accounting periods beginning on or after 1 July 2009)
- IFRS 1, First-Time Adoption of International Financial Reporting Standards - Amendment relating to cost of an investment on first-time adoption (effective for accounting periods beginning on or after 1 January 2009)
- IFRS 3, Business Combinations - Comprehension revision on applying the acquisition method (effective for accounting periods beginning on or after 1 July 2009)
- IFRS 8, Operating Segments (effective for accounting periods beginning on or after 1 January 2009)
- IAS 23 (Amendment), Borrowing Costs (effective for accounting periods beginning on or after 1 January 2009)
- IAS 27, Consolidated and Separate Financial Statements: Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009)
- IAS 28, Investments in Associates: Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009)
- IAS 31, Interests in Joint Ventures: Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009).
- IAS 1(Revised)Presentation of financial statements (effective for accounting periods on or after 1 January 2009)
- IAS 32, Financial Instruments: Presentation: Amendments relating to puttable instruments and obligations arising on liquidation(effective for accounting periods beginning on or after 1 January 2009)
- IAS 39, Financial Instruments: Recognition and Measurement: Amendments for eligible hedged items (effective for accounting periods beginning on or after 1 July 2009)
- "Improvements to IFRSs" was issued in May 2008 and its requirements are effective over a range of dates, with the earliest effective date being for annual periods beginning on or after 1 January 2009. This comprises a number of amendments to IFRSs, which resulted from the IASB's annual improvements project.

  The directors anticipate that the adoption of these standards and interpretations and amendments to other IFRSs resulting from the International Accounting Standards Board (IASB)'s annual improvements project published in May 2008, when effective, will have no material impact on the financial statements of the company. The IASBs annual improvements process deals with non-urgent, minor amendments to standards.

a. Basis of preparation

The financial statements have been prepared on the historical cost basis of accounting except for the revaluation of certain non-current assets and financial instruments. The financial statements are presented in Kenya Shillings (KES) thousands.

b. Revenue recognition

Turnover, which represents sales to external customers during the year, is recognised upon delivery of products and customer acceptance and is stated net of value added tax, returns and rebates.

Interest income is recognised when it accrues by reference to the Principal outstanding and the interest applicable. All other revenues are recognised at the time goods are supplied or services are provided.

c. Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values at the date of exchange of assets, liabilities incurred or assumed and equity instruments issued by the company in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the company's interest in the fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

d. Goodwill

Goodwill arising on acquisition represents the excess of the cost of business combination over the fair value of the company's share of the net assets of the acquiree's identifiable assets, liabilities and contingent liabilities as at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to the cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of the goodwill allocated to the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

e. Intangible assets

Intangible assets represent computer software which is stated at cost less amortisation and any accumulated impairment losses

Amortisation is calculated to write off the cost of the assets on a straight line basis over their estimated useful life of 3 years.

f. Leasehold land

Payments to acquire leasehold interests in land are treated as prepaid operating lease rentals and amortised over the period of the lease.

g. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of property, plant and equipment in equal annual installments over their estimated useful lives.

The annual rates in use are:

Freehold land	Nil
Buildings	2% - 15%
Plant, motor vehicles and other equipment	5% - 25%
Furniture, fittings and office equipment	10% - 33.3%

h. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises purchase price and other costs incurred to bring the inventories to their present location and condition, together with refining costs as appropriate. For products refined locally, costs are allocated over the refinery output in proportion to the appropriate world market prices. Net realisable value is the estimate of the selling price in the ordinary course of business. Specific provision is made for obsolete, slow moving and defective inventories less the estimated costs of completion and the estimated costs to make the sale.

i. Financial instruments

Financial assets and liabilities are recognized on the company's balance sheet when the company has become a party to the contractual provisions of the instrument.

Accounts receivables

Accounts receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on the review of all outstanding amounts at the year end. Bad debts are written off when all reasonable steps to recover them have failed.

Short term bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period they arise. Interest and other finance charges are recognised as an expense in the period which they are incurred.

Trade payables
Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether billed or not.

j. Foreign currencies

Assets and liabilities denominated in foreign currency are translated into Kenya Shillings at the rates of exchange ruling at the balance sheet date.

Transactions during the year are converted into Kenya Shillings at the rates ruling on the transaction dates. Gains and losses on conversion and translation are dealt with in the income statement.

k. Operating leases

Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease. Any payment required to be made to the lessor by way of penalty, for termination of lease before the expiry of the lease period, is recognised in the year in which termination takes place.

l. Taxation

Current taxation is provided on the basis of the results for the year as shown in the financial statements, adjusted in accordance with the tax legislation.

Deferred taxation is provided, under the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unusual tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and the unused tax credits can be utilised.

m. Employee benefit costs

The company operates a locally registered defined contribution pension fund and an off-shore defined contribution retirement benefits scheme for its employees. The assets of the schemes are held in separate trustee administered funds.

The schemes are funded by payments from both the employees and the company. Benefits are paid to retiring staff in accordance with the rules of the respective scheme.

The company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and are currently limited to a maximum of KES 200 per employee per month.

Contributions by the company in respect of retirement benefit costs are charged to the income statement in the year to which they relate.

Employees' entitlements to annual leave are charged to the income statement as they fall due.

n. Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared.

o. Cash and cash equivalents

Cash equivalents include short term liquid investments which are readily convertible to known amounts of cash and which are within three months of maturity when acquired, less advances from the bank repayable within three months from the date of advance.

Cash on hand and in banks and short term deposits which are held to maturity are carried at cost plus interest earned but not yet received at the balance sheet date.

p. Earnings per share

Earnings per share are calculated by dividing the net income by the weighted average number of ordinary shares outstanding during the year.

q. Impairment of assets

At each balance sheet date, the company reviews the carrying amount of its financial, tangible and intangible assets to determine whether there is any indication that the assets have suffered impairment. If any such indication exists, the assets recoverable amount is estimated and an impairment loss is recognised in the income statement whenever the carrying amount of the asset exceeds its recoverable amount.

r. Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty
The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the balance sheet date was KES 336 million and no impairment loss was recognised during 2008.

Useful lives of property, plant and equipment
The company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

3. NET SALES

The major part of the business of the company falls under the category of sale of petroleum products with other income comprising less than 5% of the total income. Segment reporting is therefore not applicable. Net sales by business channel are shown below.

(i) Business channels

For the year ended December 31,	2008 Kshs'000		2007 Kshs'000
General trade	26,716,001		19,266,848
Network	12,772,025		8,464,357
Aviation	3,408,192		3,957,502
Export and bulk	1,664,707		3,069,036
Total net sales	**44,560,925**		**34,757,743**
(ii) Geographical analysis			
Local sales	43,806,702		33,758,916
Export sales	754,223		998,827
Total net sales	**44,560,925**		**34,757,743**

10. EARNINGS PER SHARE

Basic earnings per share is calculated on the profit for the year divided by the weighted average number of ordinary shares in issue during the year.

For the year ended December 31,	2008 Kshs'000		2007 Kshs'000
Profit after taxation (KES'000)	703,894		524,190
Weighted average number of ordinary shares on issue – basic (In thousands of shares)	175,065		175,065
Earnings per share (KES)	4.02		2.99

Diluted earnings per share

The diluted earnings per share is the same as basic earnings per share.

11. DIVIDENDS PER SHARE

In May 2008, a dividend of KES 2.50 per share amounting to KES 438 million, relating to the year ended 31 December 2007 was paid to shareholders.

In respect of the current year, the directors propose that a first and final dividend of KES 2.50 per share (2007: KES 2.50) be paid out to shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The total estimated dividend to be paid is KES 438 million (2007: KES 438 million).

For the year ended December 31,	2008 Kshs'000		2007 Kshs'000
The movement in unclaimed dividend is as follows:			
At 1 January	12,162		6,746
Final dividend declared	437,663		437,663
Dividend paid	(434,433)		(432,247)
Balance at 31 December	**15,392**		**12,162**

Payment of dividends to members is subject to withholding tax at the rate of 5% for residents and 10% for non-residents. For locally incorporated companies, withholding tax is only deductible where the shareholding is below 12.5%.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Kshs'000	Plant, motor vehicles and other equipment Kshs'000	Furniture, fittings and office equipment Kshs'000	Capital work in Progress Kshs'000	Total Kshs'000
COST					
1 January 2007	**881,410**	**2,414,271**	**280,600**	**190,663**	**3,766,944**
Additions	34,147	84,544	19,960	108,871	247,522
Disposals	(6,479)	(17,948)	-	-	(24,427)
Transfer from work in progress	-	138,497	2,302	(141,308)	(509)
31 December 2007	**909,078**	**2,619,364**	**302,862**	**158,226**	**3,989,530**
1 January 2008	**909,078**	**2,619,364**	**302,862**	**158,226**	**3,989,530**
Additions	57,206	214,986	13,128	20,148	305,468
Disposals	-	(10,548)	(108)	-	(10,656)
Transfer from work in progress	12,700	28,367	-	(41,067)	-
Write offs	(1,875)	(8,533)	(110)	-	(10,518)
31 December 2008	**977,109**	**2,843,636**	**315,772**	**137,307**	**4,273,824**
DEPRECIATION					
1 January 2007	**259,426**	**1,273,929**	**204,137**	**-**	**1,737,492**
Charge for the year	25,025	214,477	34,923	-	274,425
Disposals	(1,058)	(14,225)	-	-	(15,283)
31 December 2007	**283,393**	**1,474,181**	**239,060**	**-**	**1,996,634**
1 January 2008	**283,393**	**1,474,181**	**239,060**	**-**	**1,996,634**
Charge for the year	24,985	218,585	28,023	-	271,593
Disposals	-	(10,453)	(24)	-	(10,477)
Write offs	(646)	(6,729)	(111)	-	(7,486)
31 December 2008	**307,732**	**1,675,584**	**266,948**	**-**	**2,250,264**
NET BOOK VALUE					
31 December 2008	**669,377**	**1,168,052**	**48,824**	**137,307**	**2,023,560**
31 December 2007	**625,685**	**1,145,183**	**63,802**	**158,226**	**1,992,896**

Property, plant and equipment with a cost of KES 1,240,130,056 (2007 – KES 1,054,054,220) were fully depreciated as at 31 December 2008.The notional depreciation charge in respect of these property, plant and equipment amount to KES 262,778,258 (2007 – KES 237,404,474).

The capital work in progress relate mainly to construction work (e.g. remodelling of stations) and technical installations being undertaken by the company.

13. PREPAID OPERATING LEASES

	2008 Kshs'000		2007 Kshs'000
COST			
At 1 January	403,798		414,996
Additions	-		777
Disposals	(5,000)		(11,975)
At 31 December	**398,798**		**403,798**
AMORTISATION			
At 1 January	95,057		89,497
Amortisation for the year	6,059		6,107
Disposals	(189)		(547)
At 31 December	**100,927**		**95,057**
NET BOOK VALUE			
At 31 December	**297,871**		**308,741**

The prepaid operating leases relate to amounts that the company has paid for the land on which most of its stations and depots stand.

14. INTANGIBLE ASSETS

	2008 Kshs'000		2007 Kshs'000
COST			
At 1 January	**115,697**		**107,833**
Additions	1,083		7,355
Transfers from capital work in progress	-		509
At 31 December	**116,780**		**115,697**
AMORTISATION			
At 1 January	**62,395**		**36,147**
Charge for the year	28,167		26,248
At 31 December	**90,562**		**62,395**
NET BOOK VALUE			
At 31 December	**26,218**		**53,302**

The intangible assets relate to accounting, payroll and other computer software acquired by the company.

15. GOODWILL

The goodwill arose from the acquisition of a subsidiary, Elf Oil Kenya Limited, in March 2001. With effect from 1 January 2005, the operations of Elf Oil Kenya Limited were merged with those of Total Kenya Limited and this was achieved through a business sale agreement which resulted in the transfer of all Elf Oil Kenya Limited business, assets and liabilities to Total Kenya Limited.

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to two cash generating units as follows:

- Network service station operations – cash flows and profits from acquired stations
- Rental fees income generation – fees paid by dealers operating acquired stations

Both units continue to generate positive cash flows and goodwill has been globally allocated to both. The recoverable amount of the cash generating units is based on value in use calculation which uses cash flow projections based on annual network business financial budgets and a long term business plan approved by management covering a ten year period.

The cash flows from the cash generating units are based on expected return on capital invested at between 10% to 25% and a stable market share. Management is of the opinion that any possible reasonable change in these assumptions would not cause the global carrying amount to exceed the recoverable amount.

At 31 December 2008, no impairment loss was assessed (2007:nil).

16. DEFERRED TAX ASSET

(i) **The net deferred tax asset is attributable to the following:**

	2008 Kshs'000		2007 Kshs'000
Accelerated capital depreciation	(19,142)		(16,639)
Unrealised exchange differences	(27,776)		-
General provisions	(32,032)		(29,447)
Net deferred tax asset	**(78,950)**		**(46,086)**
(ii) Movement on the deferred tax account is as follows:			
At 1 January	(46,086)		(65,876)
Income statement (credit)/charge (Note 9 (i))	(32,864)		19,790
At 31 December	**(78,950)**		**(46,086)**

Deferred taxation is estimated on all temporary differences under the liability method using the currently enacted tax rate of 30% (2007 - 30%).

17. INVENTORIES

As of December 31,	2008 Kshs'000		2007 Kshs'000
Refined products	3,395,457		2,991,124
Consumables and accessories	670,891		462,546
Provision for obsolete and defective stocks	(14,796)		(14,796)
Total inventories	4,051,552		3,438,874

18. TRADE AND OTHER RECEIVABLES

As of December 31,	2008 Kshs'000		2007 Kshs'000
Trade receivables	4,854,785		4,426,891
Recoverable taxes	802,523		971,322
Other receivables and prepayments	287,154		174,472
Provision for doubtful debts	(420,744)		(555,165)
Total trade and other receivables	**5,523,718**		**5,017,520**

The company has provided for receivables over 90 days with the exception of cases where there is an agreed payment plan. Trade receivables between 60 days and 90 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

The company uses an internal credit rating system to assess potential customers' credit quality and defines credit limit for each customer. Limits attributed to customers are reviewed continuously. Of the trade receivables balance at the end of the year, KES 992.7 million (2007: Kshs 693.2 million) is due from the company's largest customer. There is only one customer who represents more than 5% of the total balance of trade receivables.

Included in the company's trade receivables are debtors with a carrying amount of KES 64.7 million (2007: Kshs 41.7 million) which are past due at the reporting date. The company has not made provisions as there has not been a significant change in credit quality and the amounts are still considered recoverable. The average age of these receivables is 34 days (2007: 37 days).

19. RELATED COMPANY BALANCES

(i) Amounts due from related companies

As of December 31,	2008 Kshs'000		2007 Kshs'000
Total Uganda Limited	108,056		26,809
Total Tanzania Limited	234		110
Fina Congo S.A.R.L	22,748		9,676
Total Rwanda S.A.R.L	42,394		-
NETCO Management Limited	454,234		339,789
Others related companies	11,762		96,212
	639,428		472,596

(ii) Amounts due to related companies

As of December 31,	2008 Kshs'000		2007 Kshs'000
Total France	43,072		57
Other related companies	34,856		147,720
	77,928		147,777

20. SHARE PREMIUM

As of December 31,	2008 Kshs'000		2007 Kshs'000
As of 1 January and 31 December	**1,967,520**		**1,967,520**

This is a non distributable reserve as per the requirements of the Kenyan Companies Act.

21. SHARE CAPITAL

(i) Number of shares

As of December 31,	2008 Kshs'000		2007 Kshs'000
Authorised ordinary shares of KES 5 each	**181,630**		**181,630**
Issued and fully paid ordinary shares of KES 5 each:			
Ordinary shares	173,013		173,013
Ordinary Class A shares	2,052		2,052
Total issued shares	**175,065**		**175,065**

(ii) Share capital

As of December 31,	2008 Kshs'000		2007 Kshs'000
Authorised ordinary share capital	**908,150**		**908,150**
Issued and fully paid:			
Ordinary shares	865,067		865,067
Class 'A' ordinary shares	10,257		10,257
As of 1 January and 31 December	875,324		875,324

(iii) Shareholding structure

As of December 31,	2008 Kshs'000		2007 Kshs'000
Total Outre Mer	126,327		126,327
Total Africa Limited	10,733		10,733
Total stable shareholders	**137,060**		**137,060**
Class A shares	2,052		2,052
Other shareholders	35,953		35,953
Total issued shares	**175,065**		**175,065**

Class A ordinary shares relate to the shares held by the employees of the company and are not traded at the stock exchange. During the 2005 Annual General Meeting, the shareholders passed a special resolution allowing the conversion of class A ordinary shares to normal ordinary shares with effect from 1 January 2007. The conversion has not yet been effected as the necessary approvals have not been given by the Capital Markets Authority.

22. TRADE AND OTHER PAYABLES

As of December 31,	2008 Kshs'000		2007 Kshs'000
Trade payables	2,571,520		4,045,496
Other payables and accruals	861,871		719,490
Total payables	**3,433,391**		**4,764,986**

Interest is only charged on trade payables due to purchase of petroleum products at rates set by the Open Tender Supply (OTS) agreement. The company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

23. SHORT TERM BANK BORROWINGS

As of December 31,	2008 Kshs'000		2007 Kshs'000
Bank overdrafts	711,103		504,782
Short term bank loans	4,330,450		2,271,750
Total short term borrowings and bank overdraft	**5,041,553**		**2,776,532**

Bank overdraft facilities are held with various financial institutions, primarily international strong local banks, and are unsecured. The facilities are operated within designated limits and under the terms and conditions stipulated by the financial institutions.

The short term bank loans are interest bearing and are drawn from various financial institutions with maturity periods not exceeding 3 months (2007: 3 months).

Interest rates

The borrowings are repayable on demand or within three months and are unsecured. The interest on these borrowings is based on prevailing money market rates. The weighted average interest rates paid on borrowings during the year were as follows:

For the year ended December 31,	2008 Kshs'000		2007 Kshs'000
Average interest rate on short term borrowings and bank overdrafts	**9.70%**		**7.63%**

Analysis by currency

As of December 31,	2008 Kshs'000		2007 Kshs'000
Kenya Shilling	4,330,450		2,271,750
US Dollar	711,103		504,782
Total short term borrowings and bank overdraft	**5,041,553**		**2,776,532**

24. NOTES TO THE CASH FLOW STATEMENT

(i) Reconciliation of operating profit to cash generated from operations

For the year ended December 31,	2008 Kshs'000		2007 Kshs'000
Profit before taxation	**1,031,368**		**781,935**
Adjustments for:			
Net finance charges recognized in profit	376,775		179,236
Interest income (Note 7)	(15,465)		(730)
Net gain on foreign exchange (Note 7)	3,531		107,866
Depreciation (Note 12)	271,593		274,425
Amortisation – prepaid operating leases (Note 13)	6,059		6,107
Amortisation – intangible assets (Note 14)	28,167		26,248
Profit on disposal of property, plant and equipment	(2,219)		(5,824)
Profit on disposal of prepaid operating leases	(2,189)		(14,672)
Loss on write off of property and equipment	3,032		-
Operating profit before working capital changes	**1,700,652**		**1,354,591**
(Increase)/decrease in inventories	(612,678)		2,610,711
Increase in trade and other receivables	(506,198)		(459,002)
Decrease in trade and other payables	(1,331,595)		(614,366)
Increase/(decrease) in amounts due to holding company	768,176		(153,089)
Movement in balances with related companies	(236,681)		198,427
Cash (used in)/generated from operations	**(218,324)**		**2,937,272**

(ii) Analysis of the balances of cash and cash equivalents as shown on the balance sheet

For the year ended December 31,	2008 Kshs'000		2007 Kshs'000
Bank and cash balances	1,548,883		833,737
Bank overdrafts (note 23)	(711,103)		(504,782)
Short term loans (Note 23)	(4,330,450)		(2,271,750)
Cash and cash equivalents	**(3,492,670)**		**(1,942,795)**

Cash and cash equivalents

For the purposes of the cash flow statement, cash equivalents include short term liquid investments which are readily convertible to known amounts of cash and which were within three months of maturity when acquired, less advances from the bank repayable within three months from the date of advance.

25. RELATED PARTY TRANSACTIONS

(i) Transactions with related companies

During the year, the company made purchases amounting to KES 2,291 million (2007 – KES 2,506 million) from the holding company and other companies related to it by virtue of common shareholding. The company also earned revenue of KES 668 million (2007 – KES 749 million) from related companies.

Sales and purchases to/from related parties were made on terms and conditions similar to those offered to major customers or available from major suppliers.

The company purchased plant and equipment amounting to KES 37 million (2007- KES 59 million) from the holding company and other companies related to it by virtue of common shareholding. The company also has technical assistance agreements with the holding company for which it paid fees for the year amounting to KES 140 million (2007- KES 116 million) as disclosed on note 6.

(ii) Amounts due to holding company

The amount due to the holding company in relation to the above transactions is KES 827,881,000 (2007 – KES 59,705,000) as set out on the balance sheet. Other amounts due to/from related companies are shown on note 19.

(iii) Key management compensation

The remuneration of directors and other members of key management were as follows:

As of December 31,	2008 Kshs'000		**2007 Kshs'000**
Salaries and other short-term employment			
Benefits	51,696		52,450
Post-employment benefits	3,710		2,393
	55,406		**54,843**
(iv) Directors' remuneration			
Fees for services as a director	1,600		1,600
Other emoluments (included in key management compensation above)	23,579		23,005
	25,179		**24,605**

26. COMMITMENTS AND CONTINGENCIES

(a) Contingent Liabilities

Guarantees and bonds

As of December 31,	2008 Kshs'000		2007 Kshs'000
Total commitments given	1,535,698		540,287
Total commitments received	408,039		260,694

Commitments given include primarily customs bonds. The bonds are held in the ordinary course of business. No losses are anticipated in respect of these contingent liabilities.

Commitments received include primarily customer guarantees.

Commitments received/given are all held with local banks.

Legal claims

A legal claim has been made against the company by a customer. The plaintiff is suing for some specific and general damages which the company has disputed. The case is ongoing and the likely outcome is unknown. However, based on information currently available, the directors are of the opinion that the ultimate resolution of this case would not have a material effect on the company's operations, financial position or liquidity.

Contingent liability relating to parent company

An amount of KES 189 million (USD 2,427,388) exists as at 31 December 2008 for an unsettled invoice to the parent company, Total Outremer, and has not been provided for in the Total Kenya Limited's books as the goods were not received by Total Kenya Limited. Management is keenly following up on the matter and is of the view that the ultimate resolution of this matter will not have any impact on the company's financial position or liquidity.

Capital commitments

As of December 31,	2008 Kshs'000		2007 Kshs'000
Authorised and contracted for	120,232		224,340
Authorised but not contracted for	327,403		345,237

Foreign currency agreements

Commitments and contingencies related to the company's financial derivatives activities as at year-end were nil. Any amounts that would be outstanding would normally indicate the levels of notional involvement by the company and are not indicative of an unrealized gain or loss.

26. COMMITMENTS AND CONTINGENCIES (Cont')

(b) Contingent Assets

Industry dispute

The company is involved in a dispute with other oil companies over the price to be applied for the re-invoicing of November 2004 industry crude import which was shipped by the company under the contractual arrangements of the Open Tender System (OTS). The matter was determined in the company's favour but other oil companies have lodged an appeal and the matter referred for arbitration. The company directors and legal advisers are of the opinion that the final decision will be in the company's favour. The total amount in dispute over the tender is KES 106 million, which has been fully provided for in the financial statements.

Dispute with a supplier

The company is also involved in a dispute with a supplier over the non delivery of product paid for but not received. The net exposure of KES 171 million has been fully provided for in the financial statements.

27. OPERATING LEASE COMMITMENTS

As of December 31,	2008 Kshs'000		2007 Kshs'000
Maturing within one year	10,851		5,426
Maturing over one year to five years	5,426		16,277
Total operating lease commitments	**16,277**		**21,703**

All the commitments relate to future rent payable for the head office (Chai House) based on the existing contracts.

28. CAPITAL RISK MANAGEMENT

The company manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The company's overall strategy remains unchanged from 2007.

The capital structure of the company consists of debt, which includes the borrowings disclosed in note 23, cash and cash equivalents and equity attributable to equity holders, comprising issued capital, reserves and retained earnings as disclosed in notes 20, 21 and 24.

Gearing ratio

The gearing ratio at the end of the year was as follows

As of December 31,	2008 Kshs'000		2007 Kshs'000
Borrowings (note 23)	5,041,553		2,776,532
Bank and cash balances	(1,548,883)		(833,737)
Net borrowings	**3,492,670**		**1,942,795**
Equity*	5,017,822		4,751,591
Net debt to equity ratio	**70%**		**41%**

*Equity includes capital and reserves.

29. FINANCIAL RISK MANAGEMENT

Financial risk management objectives

The company's Corporate Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The company seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Total Group's policies, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The company does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes.

The company's Treasury Function reports monthly to the Group's treasury, a section of the Group that monitors risks and policies implemented to mitigate risk exposures.

Market risk

The activities of the company expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including forward foreign exchange contracts to hedge the exchange rate risk arising on the trade of petroleum products.

There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency sensitivity analysis

The main currency exposure that the company is exposed to relate to the fluctuation of the Kenya Shillings exchange rates with the US Dollar ,Euro and Pound currencies.

The table below details the company's sensitivity to a 10% increase and decrease in the Kenya Shilling against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans. A negative number below indicates an increase in profit and other equity where the Kenya Shilling strengthens 10% against the relevant currency. For a 10% weakening of the Kenya Shilling against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be positive.

	2008 Kshs'000		**2007** **Kshs'000**
Profit or loss (With 10% change)			
USD Impact	19,220		13,227
Euro Impact	1,434		299
Pound Impact	932		-

29. FINANCIAL RISK MANAGEMENT (Cont')

Foreign currency sensitivity analysis (Continued)

The US Dollar impact is mainly attributable to the exposure on outstanding US Dollar receivables, payables and overdraft at the year end, the Euro impact is mainly attributable to the exposure on outstanding Euro receivables and payables at the year end while the Pound impact is mainly attributable to the exposure on outstanding Pound payables at the year end.

The sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Forward foreign exchange contracts

The company enters into forward foreign exchange contracts to manage risk associated with anticipated trade transactions. At 31 December 2008, no derivative asset or liability arose from these transactions.

Interest rate risk management

The company is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by the company by maintaining an appropriate mix between fixed and floating rate borrowings. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite.

The company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the company's profit before tax for the year ended 31 December 2008 would decrease/increase by KES 18.2 million (2007: by KES 13.9 Million). This is mainly attributable to the company's exposure to interest rates on its borrowings and overdraft.

The company's sensitivity to interest rates has increased during the current period mainly due to the increase in financial requirements.

Credit risk management

Credit risk refers to the risk of financial loss to the company arising from a default by a counterparty on its contractual obligations. The company's policy requires that it deals only with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available. If not available, the company uses other publicly available financial information and its own trading records to rate its major customers. The company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is requested.

The company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The company defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

29. FINANCIAL RISK MANAGEMENT (Cont')

Credit risk management (Cont')

The company's maximum exposure to credit risk as at 31 December 2008 is analysed in the table below:

	Fully performing Kshs'000	Past due Kshs'000	Impaired amount Kshs'000	Total Kshs'000
Network	83,858	14,231	43,479	141,568
Non-Network	4,339,026	50,490	323,701	4,713,217
Trade receivables	4,422,884	64,721	367,180	4,854,785
Other receivables	110,434	-	53,564	163,998
Cash and cash equivalents	(3,492,670)	-	-	(3,492,670)
Network	132,627	-	40,185	172,812
Non-Network	3,903,345	41,689	309,045	4,254,079
Trade receivables	4,035,972	41,689	349,230	4,426,891
Other receivables	50,311	-	44,935	95,246
Cash and cash equivalents	(1,942,795)	-	-	(1,942,795)

The default risk on the customers under the fully performing category is very low as they are active in paying their debts as they continue trading. The past due amounts have not been provided for since the amounts continue to be paid. The impaired amounts have been fully provided for in these financial statements.

Liquidity risk management

The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in financing facilities section of this note, is a listing of additional undrawn facilities that the company has at its disposal to further reduce liquidity risk.

Financing facilities

	2008 Kshs'000		2007 Kshs'000
Unsecured bank loans and overdraft, payable at call and reviewed annually			
Amount used	5,041,553		2,776,532
Amount unused	7,508,447		8,223,468
Total Facilities	**12,550,000**		**11,000,000**

29. FINANCIAL RISK MANAGEMENT (Cont')

Liquidity risk management (Cont')

The table below shows the breakdown of amounts used with 6 main banks at the balance sheet date.

	2008 Carrying amount Kshs'000		2007 Carrying amount Kshs'000
Bank			
Citibank	3,111,103		504,782
Standard Chartered Bank	600,000		584,000
Kenya Commercial Bank	1,330,450		912,900
Barclays Bank	-		150,000
Stanbic Bank	-		624,850
Bank of Africa	-		-
Total	**5,041,553**		**2,776,532**

The following table analyses the company's financial liabilities(in thousand of KES) that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. All the Balances are due within 12 months hence the undiscounted balances equal their carrying balances, as the impact of discounting is not significant.

At 31 December 2008	**Up to 1 month**	**1-3 months**	**3-12 months**	**Total**
Short term bank loans	4,330,450	-	-	4,330,450
Bank overdrafts	711,103	-	-	711,103
Trade payables	2,571,520	-	-	2,571,520
Total financial liabilities	**7,613,073**	**-**	**-**	**7,613,073**
At 31 December 2007				
Short term bank loans	2,271,750	-	-	2,271,750
Bank overdrafts	504,782	-	-	504,782
Trade payables	4,045,496	-	-	4,045,496
Total financial liabilities	**6,822,028**	**-**	**-**	**6,822,028**

30. FAIR VALUE

The directors consider that the fair values of financial assets and liabilities are not significantly different from their carrying values.

31. ASSETS PLEDGED AS SECURITY

As at 31 December 2008, there were no assets pledged by the company to secure liabilities.

32. INCORPORATION

Total Kenya Limited is a limited liability company incorporated and domiciled in Kenya under the Kenyan Companies Act. The parent company is Total Outre Mer while the ultimate holding company is Total S.A, both incorporated in France.

33. CURRENCY

The financial statements are presented in Kenya Shillings thousands.

FIVE-YEAR SUMMARIZED CONSOLIDATED BALANCE SHEET

As of December 31,	2008	2007	In Million KES 2006	2005	2004
ASSETS					
Non-current assets					
Property, equipment and leases	2,321.4	2,301.6	2,355.0	2,398.3	1,942.1
Goodwill	336.6	336.6	336.6	336.6	336.6
Other intangible assets	26.2	53.3	71.7	0.8	1.1
Deferred taxation	78.9	46.1	65.8	38.3	50.2
Total non-current assets	**2,763.1**	**2,737.6**	**2,829.1**	**2,774.0**	**2,330.0**
Current assets					
Inventories	4,051.6	3,438.9	6,049.6	2,903.0	3,670.0
Other current assets	6,163.1	5,502.5	5,210.3	3,828.9	4,247.9
Cash and cash equivalent	1,548.9	833.7	1,264.4	1,267.3	300.8
Total current assets	**11,763.6**	**9,775.1**	**12,524.3**	**7,999.2**	**8,218.7**
TOTAL ASSETS	**14,526.7**	**12,512.7**	**15,353.4**	**10,773.2**	**10,548.7**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	875.3	875.3	875.3	875.3	875.3
Share premium	1,967.5	1,967.5	1,967.5	1,967.5	1,967.5
Revenue reserves	2,175.0	1,908.7	1,822.2	1,773.8	1,242.2
Proposed dividends – gross	-	-	-	-	437.7
Total capital and reserves	**5,017.8**	**4,751.5**	**4,665.0**	**4,616.6**	**4,522.7**
Current liabilities					
Trade and other payables	4,467.4	4,984.7	5,674.4	1,917.0	2,947.8
Short term borrowings	5,041.5	2,776.5	5,014.0	4,239.6	3,078.2
Total current liabilities	**9,508.9**	**7,761.2**	**10,688.4**	**6,156.6**	**6,026.0**
TOTAL EQUITY AND LIABILITIES	14,526.7	12,512.7	15,353.4	10,773.2	10,548.7

APPENDIX II

FIVE-YEAR SUMMARIZED CONSOLIDATED INCOME STATEMENT

i) INCOME STATEMENT

For the year ended December 31,	2008	2007	In Million KES 2006	2005	2004
Gross sales	54,807.5	44,109.7	38,052.9	40,547.5	37,628.1
Indirect taxes and duties	(10,246.6)	(9,352.0)	(7,391.5)	(6,998.0)	(5,870.7)
Net sales	44,560.9	34,757.7	30,661.4	33,549.5	31,757.4
Cost of sales	(41,667.5)	(32,322.3)	(28,409.0)	(31,048.5)	(29,148.5)
Gross profit	2,893.4	2,435.4	2,252.4	2,501.0	2,608.9
Expenses and other income	(1,497.3)	(1,367.2)	(1,186.7)	(1,418.6)	(1,547.1)
Interest charges, net	(364.8)	(286.3)	(388.5)	(284.3)	(130.2)
Profit before taxation	1,031.3	781.9	677.2	798.1	931.6
Taxation	(327.5)	(257.7)	(191.1)	(266.6)	(354.6)
Net profit for the year	703.8	524.2	486.1	531.5	577.0

PROXY FORM

The Secretary
Total Kenya Limited
P.O. Box 30736 - 00100
Nairobi.

I/WE.....

of.....

Being a member of Total Kenya Limited, hereby appoint:.....

of.....

Whom failing.....

of.....

as our/my proxy, to vote for us/me and on our/my behalf at the Annual General Meeting of the Company to be held on 19 May 2009 at KICC, Aberdares and Lenana Meeting rooms, Nairobi and at any adjournment thereof.

As witness our/my hand this..... day of..... 2009

Note:

1. This proxy must be delivered to the Company's registered office not later than the close of business on 15 May 2009 failing which it is invalid.

2. In the case of a member being a limited Company this form must be completed under its common seal.

4. COST OF SALES

For the year ended December 31,	2008 Kshs'000		2007 Kshs'000
Product purchases	40,121,531		30,441,738
Other variable costs	1,545,983		1,880,560
Total cost of sales	**41,667,514**		**32,322,298**

5. OTHER INCOME

For the year ended December 31,			
Rents and commissions	50,940		41,229
Profit on disposal of property, plant and equipment	2,219		5,824
Profit on disposal of prepaid operating leases	2,189		14,672
Reversal of accruals and other credits	20,832		13,330
Total other income	**76,180**		**75,055**

6. OTHER OPERATING EXPENSES

For the year ended December 31,	2008 Kshs'000		2007 Kshs'000
Directors' emoluments - fees	1,600		1,600
- other emoluments	23,579		23,005
Payroll and staff (Note 8)	479,551		423,982
Other expenses	149,804		125,002
Repairs and maintenance	142,397		217,499
Technical assistance (Note 25(i))	139,570		115,834
Travelling and reception	97,246		88,349
Operating lease rentals	79,265		74,813
Utilities	47,567		43,563
Advertising and promotion	42,763		45,979
Legal and other professional fees	21,964		16,996
Insurance	21,173		20,438
Impairment on receivables	20,078		54,270
Auditor's emoluments	4,537		4,280
Write back of provision for obsolete inventories	-		(12,331)
Total other operating expenses	**1,271,094**		**1,243,279**

7. (a) NET FINANCE CHARGES

For the year ended December 31,	2008 Kshs'000		2007 Kshs'000
Finance charges on borrowings	380,306		287,102
Interest income	(15,465)		(730)
Net finance charges	**364,841**		**286,372**
7 (b) NET GAIN ON FOREIGN EXCHANGE	**(3,531)**		**(107,866)**